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ABSTRACT

Strategies employed by selected, pseudonymous private colleges in dealing with revenue constraints are detailed in case studies. Attention is directed to the adaptation and policies of eleven private liberal arts and three comprehensive colleges in their efforts to recover from rapid decline in total revenues during 1973-1976. Intensive analysis is provided for these 14 colleges that enrolled at least 650 students in 1979. Half had made the greatest total revenue recovery and half had continued to decline. Chief administrators and faculty leaders were interviewed on each campus, along with at least one trustee on most campuses. Background materials, such as accreditation self-study reports, internal reports, historical documents, college catalogs, and audit reports were also examined. In addition, five pilot schools were studied to test the feasibility of a large-sample mailed survey. Descriptive information on each college is included along with the case history, which covers enrollments, staff, academic programs, planning, budgets and capital. The colleges are not identified by name: nine were church-related; three were selective in admissions; and two were urban, three were rural, and nine were in intermediate-sized towns. The field interview guide is included. (SW)

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CASE STUDIES IN COLLEGE STRATEGY

by

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May 1983

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Table of Contents

Acknowledgements v

Case Studies in College Strategy: Purpose 1

Part I: Development of the Study. 3
Appendix A: Letter of Confirmation to the President 7
Appendix B: Field Interview Guide. 13
Appendix C: Project Chart for Interviews 15

Part II: Case Studies in College Strategy 17
Faith College--Not Approved for Distribution. 19
Rally College 21
Enterprise College. 41
Prophet College 61
Link College. 81
Harmony College 101
Prairie College 121
Crossroads College. 139
Monument College. 159
Ryke College. 177
Niche College 195
Case College. 213
Quest College 231
Heartland College--Not Approved for Distribution. 249
Addendum: Five Pilot Cases 251

Acknowledgements

The only real problem with having guaranteed anonymity to those who participated in this study is that we cannot thank them with the public fanfare they deserve. But we do thank them, we will do our best to justify their investment in the study, and we can describe why they deserve the public acclaim we cannot give them.

For a researcher, the highest praise one can offer is to say (with a mixture of gratitude, relief, affection, and willingness to do almost anything in return), "They participated!" Each college had good reason to decline our request to participate, if only because it would require so much time and revelation of facts that are usually kept in-house. Yet only one college did decline, and after hearing about their situation, we wouldn't have dreamt of pressing our request.

The people of the colleges described here went along willingly and without reservation with extraordinary demands on their time, their memories, their patience, and their confidence in strangers. Often in recalling events of the 1970s, and sometimes in describing the situation in 1982, they relived with us some very painful experiences. We learned a great deal about strategy from them, but we also discovered some exceptionally competent, dedicated, hard-working people. We came to care a great deal about them and their colleges. And so, to each of you, "Thank you and keep us posted."

Personal thanks, too, to John Wirt at NIE for his forbearance with the evolutionary nature of this project. And to Kim Cameron, Renee deAlba, Frank Dunford, Jack Krakower, Jennifer Presley, Dave Whetten, and Ray Zammuto for stimulating discussions, hard work, and helpful advice; and to Judy Butler and Dee Lowrance for outstanding support services.

-Ellen Earle Chaffee

CASE STUDIES IN COLLEGE STRATEGY

Purpose

As part of an agreement between the National Center for Higher Education Management Systems (NCHEMS) and the National Institute of Education (NIE), NCHEMS agreed to produce "a document reporting the results of twenty case studies of institutions of higher education with specific focus on the measurement and prediction of strategic decisionmaking." This is that document.

These cases are written as if they were data banks. That is, we attempted to include all qualitative and quantitative information about each school that seemed relevant to defining, understanding, and to some extent measuring its strategy. This document is largely descriptive rather than interpretive, although each case contains a section of lessons, or implications that appeared relevant to the case. Much of our subsequent analysis, reported elsewhere, has been based on these case descriptions; the condensed form and common format of the case descriptions simplified these analyses. Similarly, we believe that making these cases available to other researchers in the present form will allow them to use the cases as data for their own research on strategy.

Part I of this document describes the development of this project. Part II contains the case studies. There are fourteen final case studies and five pilot cases, totalling nineteen rather than the twenty mentioned above. One of the final cases did not materialize due to scheduling problems, but the richness of the other fourteen made a fifteenth appear to have only slim marginal value.

PART I: DEVELOPMENT OF THE STUDY

The purpose of this study was to determine what strategies have been used by private liberal arts and comprehensive colleges in their efforts to recover from rapid decline in total revenues, and whether some strategies were characteristically associated with recovering colleges and other with non-recovering colleges. The outcomes of the study include a conceptual framework on how strategy works, developed inductively from the data reported in this document, and a research report that summarizes these data.

The population under study included all independent liberal arts and comprehensive colleges that had (a) at least 650 students in 1979 and (b) a rapid decline in the real value of total revenues from 1973 through 1976. Rapid decline was defined using an algorithm that eliminated any college having even one year of growth, in constant dollars. Average revenue decline for the forty colleges that constitued the population was 20% in three years. The fourteen colleges chosen for intensive study were divided equally between those that had made the greatest total revenue recovery from 1976 through 1979 and those that had continued to decline.

Data from the Higher Education General Information Survey (HEGIS) were used to identify both the population of forty colleges and the subset of fourteen. The research reported here, conducted in 1982, allowed us to include the three years from 1979 to 1982 in our final analyses. The recent data suggested that some of the colleges should be reclassified as either recovering or non-recovering, and this was done in analyses reported elsewhere. However, the reader of these cases is left to draw individual conclusions about the recovery status of each college.

Most of the schools were in the Northeast, Central Atlantic, and Midwest sections of the country. Two were in the Far West. Nine were church-related. Three were selective in their admissions practices. Eleven were liberal arts and three were comprehensive in 1973. One liberal arts college was reclassified from liberal arts to comprehensive between 1973 and 1980. Two were urban, three were rural, and the remaining nine were in intermediate-size towns.

All fourteen college presidents agreed, when contacted by telephone, to allow two-day visits by project staff and to provide financial and planning documents. A copy of the letter of confirmation to the president is included as appendix A to part I.

During the campus visits, staff interviewed from six to fourteen individuals chosen by the president and his or her advisors. The criterion they were asked to apply in identifying individuals for interviews was familiarity with recovery strategies during the 1970s. Chief administrators and faculty leaders were interviewed on every campus, and at least one trustee on most campuses. Occasionally, the interviewees or the content of the interviews suggested that someone be added to the schedule. These additional interviews were arranged, with the exception of the past president of Prophet College, who was unavailable.

A standard interview protocol, included as appendix B to part I, guided all interviews, but project staff asked many additional clarifying and expanding questions. Appendix C contains a visual depiction of the purpose of the study, which was used to help focus the attention of interviewees. A large majority of interview time was spent on question III, "What did the college (through administrative action or other means) do to try to recover from those revenue problems?" Project director Ellen Chaffee visited all five pilot-test colleges and eleven of the fourteen

final cases.* Associate Jack Krakower also visited the five pilot schools, and Frank Dunford joined in the first four of the final fourteen cases. David Whetten conducted the final site visits to Monument and Heartland Colleges, and Kim Cameron studied Crossroads College. Chaffee, Whetten, and Cameron wrote the case studies that comprise part II of this document, each reporting on the college(s) she or he had visited but using a standard format to facilitate comparisons among the cases.

Each of the case descriptions in part II was submitted to the college it describes in draft form for review. The college president returned the draft with notations that corrected factual or interpretive errors, and these changes have been made in the final versions reported here. The presidents, who had already shown exceptional graciousness in agreeing to participate, arranging the interviews, and opening the college and its history for inspection, carried on in that tradition in two ways. First, many of them remarked that they and their colleagues at the college were impressed by the extent to which the story of the college had been fully and accurately represented in the cases. Second, they consented to allow dissemination of these cases--despite the fact that nearly all of them believed that an astute or inquisitive reader would be able to figure out their true identity, despite our pseudonyms.

A primary reason for sharing these cases with other researchers is that the cases may be a valuable source of data for individuals who are investigating questions other than our own, or who wish to verify, extend, or modify the findings we report elsewhere. Such colleagues are advised that in a few of the cases certain facts or events were modified or deleted at the request of the president in order to obscure the identity of the institution. This was done, as long as it did not compromise the basic story of the college. Anyone using these cases is invited to contact Ellen Chaffee to ensure that these changes will not compromise their own conclusions from the data reported here.

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*The pilot cases are included at the end of part II. During those visits, our primary purpose was to test the feasibility of a large-sample mailed survey on strategy which would have included all types of institutions, private or public, regardless of decline, stability, or growth. On the basis of these visits, the study was redirected as described herein.

APPENDIX A

Letter of Confirmation to the President

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Date

--inside address--

Dear Dr. :

We are looking forward to meeting with you and your colleagues on our visit to on March and . I am writing to confirm those dates, to provide some information about the reasons for and expectations of our visit, and to let you know how we would like to express our appreciation for your help.

We are working on a study of strategic decisionmaking with a grant from the National Institute of Education. The purpose of the study is to learn about the ways in which medium-sized independent colleges dealt with revenue constraints they faced in the mid-1970s. We want to know how adapted to those constraints, what policy changes you made and why, what strategies worked and what didn't. We are also interested in the strategies you are currently using, how they evolved, and where you want them to take you. For example, some schools have begun actively recruiting adult students for the first time; some have established new locations or innovative academic delivery systems; still others have selected key aspects of their traditional identity for emphasis and image-enhancement, but have made no major changes in what they do or how they do it. In the fifteen case studies we will develop, our goal is to make useful observations about the role of strategy in coping with scarce resources. Your experiences in the past decade will assist administrators of independent colleges as they deal with the challenges of the 1980s.

We have identified from data in the Higher Education General Information Survey (HEGIS) as having these characteristics: more than 650 FTE students in 1979, independent, with stable or falling revenues (adjusted for inflation using the Higher Education Price Index) during the years 1973 through 1976. I have enclosed a graph showing both actual total revenues (T) and adjusted total revenues (A) as we found them in HEGIS. The graph illustrates dramatically a phenomenon you know all too well--how difficult it is to keep pace with inflation. We will want to verify those figures during our visit. However, if they appear to misrepresent 's actual experience in the mid-1970s, such that we are wrong in our understanding that you faced stable or falling adjusted revenues between 1973 and 1976, please let us know as soon as possible.

During our visit, we would like to spend up to an hour with you and each of several others. As our purpose suggests, we are especially interested in administrators and faculty members who are, or were in the 1970s, involved in assessing the school's situation and deciding on any major policy issues. We would like you to decide who best fits that description, and to arrange for us to meet with them. Examples of positions they may have held include president, acting president, chief academic or fiscal officer, dean, or faculty senate leader. Others you may want to consider include faculty members who have a scholarly interest in organizatonal behavior or management and who are familiar with decisionmaking in the college, or student leaders, or an institutional researcher. You are in the best position to assess who is most familiar with major policy decisionmaking, currently and in the past decade, and we encourage you to exercise your own judgment about whom we should meet.

In addition, it would be helpful if you would collect a packet of background materials that we might review in advance or bring back with us. Possible items for this packet are an accreditation self-study report; internal reports that describe important aspects of the school and how it is doing; books or articles on college history; and college catalogs, audit reports, and long range plans (each from the current year and mid-1970s era, if available). We will be glad to pay for any such items that carry a charge. We hope that studying these materials will supplement what we learn from the interviews.

Our plan is to write about what we learn from these fifteen case visits. We expect that the material will be organized by themes, rather than by schools, and that information from colleges would be used both to develop and to illustrate those themes. While we may provide some contextual information, no name or unique identifier of a school or individual will be used. The only exception would be if we secured written permission from you on behalf of the institution and from any individual involved to use material that you have had the opportunity to review in advance.

The benefits to from participating in the study include the option to participate in an NCHEMS seminar, a free set of Information Services reports, and copies of the two major reports of the study.

NCHEMS will be offering seminars during the 1982-83 academic year at which participants will learn about managing a higher education institution in a declining environment. When they are scheduled, we will invite you to send a staff member to the seminar, and we will waive the registration fee.

Second, you will receive a free set of NCHEMS Information Services reports. These reports allow you to compare with a set of peer institutions (identified by you or your staff) on numerous dimensions, based on HEGIS data. The dimensions include finances, enrollments, programs, and faculty characteristics. We will bring ordering information with us.

Finally, during the summer and fall of this year we will be writing two documents based on the case studies, and we will send copies to you as soon as they become available. One will present a frame of reference for strategic decisionmaking in higher education, expressing a point of view about what strategy means in that context and how it works. The other document will describe explicitly what we have found through the visits and what we make of it--answering such questions as, what have colleges tried to do in order to cope with resource scarcity? what purposes did they intend to accomplish? what worked best, and why? what seems to account for efforts that don't succeed?

Thank you for allowing us to visit. I will call your office approximately two weeks beforehand to confirm the details of our arrangements. In the meanwhile, please feel free to get in touch with me.

Sincerely yours,

Ellen E. Chaffee, Ph.D.
Senior Associate and
Project Director
(303) 497-0322

enclosures

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APPENDIX B

Field Interview Guide

I. Introduction

A. Introduce self, NCHEMS, NIE

B. You were selected because:

C. Anonymity for you and your school. No identifiers for either without prior written permission, but we may use quotes/stories without identifiers.

D. Purpose of the project: to understand strategic decisions in medium-sized private schools that had revenue problems in 1973-1976. Take out domain chart, explain it, and leave it in front of them.

II. (long-timers only) Why do you think you ran into a revenue problem in the mid-70s?

III. What did the college (through administrative action or other means) do to try to recover from those revenue problems?

A. What did you hope to achieve by that?

B. Did it work?

C. Why/why not?

D. How important was it in determining where the college is today?

explore for changes in:

kinds of students you serve

academic program

locations or delivery systems for your programs

resources: efficiency/economy measures; new sources of revenue; type of faculty or nonfaculty personnel; emphasizing/minimizing certain depts or functions

governance, other aspects of the decisionmaking process: centralization; reliance on quantitative information and analysis; reliance on boundary-spanning offices communication patterns; level of conflict

role of the office or person of the president

key personnel other than the president

mission, role, or scope of operation

IV. What role was played by events or circumstances that could not be controlled by management? What, besides what the college decided to do, influenced the course of events?

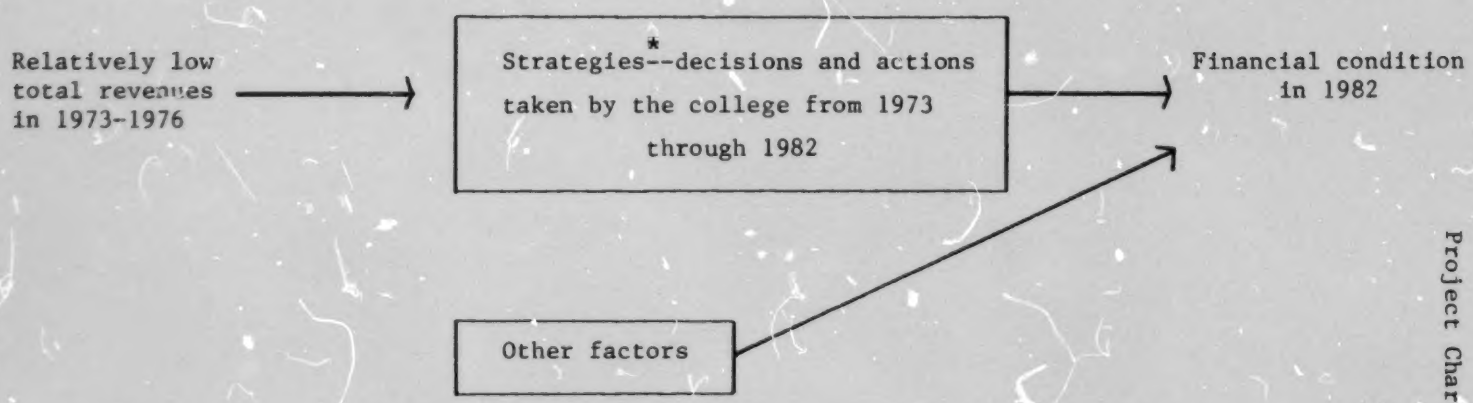
How important was it in determining where the college is today?

V. Where is the college today? How would you describe it, relative to where it was about 8 or 10 years ago? How optimistic are you about its future? (need just a relatively brief answer)

VI. In your estimation, what are the key factors that are necessary in order for a college such as this one to recover from financial difficulty?

Thank you. If need be, may we call you later for clarification or more information?

Strategic Recovery in Private Colleges: Domain of the Study


Relatively low total revenues in 1973-1976
Strategies*--decisions and actions taken by the college from 1973 through 1982
Financial condition in 1982
Other factors

*students served
academic programs
geographic scope of programs
resources: budget, faculty, other personnel
governance, decisionmaking processes
presidency
changes in key personnel

APPENDIX C

Project Chart for Interviewees

PART II: CASE STUDIES IN COLLEGE STRATEGY

FAITH COLLEGE

This case study was not approved for distribution.

19

RALLY COLLEGE

PROFILE

Location:	Large town, Central Atlantic
Type:	Liberal Arts II, Protestant
1981 enrollment:	744 FTE
Date founded:	1960 Accredited 1966
1981 cost:	$4,980 (tuition, room, and board) 75-80% on student aid

The Story of Rally College

In 1956, the town residents secured a charter from the Board of Higher Education of a major Protestant denomination to establish a college there. The residents pledged 200 acres of land for the campus, $2 million to help it get started, and $50,000 per year throughout its existence. The town had recently been passed over by another denomination in its search for a site, and it had to fight hard to get this one to agree. In fact, the church finally established two colleges in the region when it had planned on only one, in order to accommodate the town's interest. From 1958 to 1961, a campus was built on the 200 acre site adjacent to the town limits, and the college graduated its first class, 33 students, in 1964.

The town is located about 50 miles from a larger city, in an area that has historically depended on agriculture. Recently, several medium-sized corporations have established their headquarters in town, and it is becoming a regional financial center. It remains to be seen whether such development will offset the decline of agriculture in the local economy.

Branch campuses. Since 1974 Rally has offered courses in four other towns in the vicinity, including an Air Force base, but they use the facilities of other agencies at those sites. The number of such courses has increased from 15 in 1973 to 23 in 1977 and 69 in 1982.

Competition. This moderately populous state hosts 39 private institutions, many of them church-related. Rally's denomination sponsors two other colleges (one a junior college) within a 100-mile radius of Rally. However, its most important competitor is said to be a state university about 50 miles away.

Enrollments and Students

Enrollment climbed rapidly from Rally's opening in 1960 to 1965, as shown in figure 1B. They remained at about 650 students from 1965 to 1970, when they started a decline to 470 students in 1975. That trend reversed dramatically, so that the school had 850 students (212 of them part-time) by 1979, with 1981 full-time equivalent students numbering 747. More detailed data show that in about 1973-74, Rally had relatively large decreases in women students (subsequently returning to nearly 50% of all students) and in out-of-state students, and increases in part-time students.

Students. A less selective college, Rally now admits 97% of its applicants. Admission standards are said to have been relaxed, unofficially, during the years since 1975, but to be in the process of gradual re-enforcement. SAT scores of admittees declined 100 points in the past 5 years. During 1981-82, the students were 53% commuters, 21% minority, 34% part-time, 78% in-state. A study of the class that matriculated in 1977 showed that 33% graduated in four years. During the 1975 crisis to be described in the next section, Rally lost a great many students. Part of its rebuilding strategy has been a deliberate and successful focus on the local market for students, and it is now more successful than it had been in recruiting local transfer students who find that going away to one of the state colleges wasn't what they wanted after all. Rally's admissions office has identified several areas in other states where it has been successful in recruiting students and is now targeting more effort there, as well.

Student life. Although the official rules never changed, campus officials did not enforce regulations against alcohol and visitation during the early 1970s. For the past seven years, however, those regulations have been enforced and campus behavior has changed accordingly. At the same time, the administration has moved to improve student life through better counseling, career placement, life planning, and athletics. The aim is to foster a Christian atmosphere on campus.

A Time of Crisis

More visibly than is true of any other college in this study, Rally experienced a public crisis during which its continued existence was in grave jeopardy. The threat of closing was so real that some refer to Rally as "the college that was founded twice." In the end, this crisis set the stage for Rally's subsequent efforts to cope with its previously declining enrollment. College members refer to it as "The Crunch."

In October, 1974, the fourteen-year president of Rally telephoned its new Board of Trustees chairman to explain that he was about to take a personal loan in order to meet the payroll for the following day. This was the first indication to any trustee that the college's financial situation was dire. Investigation revealed that all local banks had extended short-term credit to the college's limit, fuel costs had more than doubled, the food service had a $100,000 loss, and an enrollment shortfall of 80 students the previous autumn (for which no respondent had an explanation) had led to a $200,000 deficit.

The new chairman, then an attorney in private practice but now a prominent judge, was galvanized to action. As he put it, "I can get right

evangelical on the subject of a dual system of higher education," and he was determined not to allow Rally to close. In effect, he made the college his full-time occupation for the next ten months or so. The judge had been politically active all of his adult life. He saw this situation as a political campaign and he ran it like one--"just like I was running a man for governor. And I don't like to lose."

It turned out that the administration and its financial statements had concealed a good deal of shuffling of funds for some time. Apparently this had been done in the belief that "Santa Claus sources" would cover overspending and borrowing from endowment. In the meanwhile, trustees "weren't inquisitive enough" to uncover the problem. The continuing decline in enrollments from 1970 to 1975 put the college in desperate straits, apparently because budgets were never trimmed sufficiently to accommodate declining income from tuition.

The judge called the press to a college-wide meeting in March 1975 to describe the condition of the college to a shocked audience. He felt that the only possible way to save it was to appeal to the community and the church, knowing that their initial reaction would be a sense of betrayal. As he anticipated, one manifestation of that reaction was a feeling that the trustees should get the state to take over the school, in the hope that the state would not allow the college to manage itself badly nor to close. Alternatively, they suggested selling the college facilities for some other use.

So the judge already had plans for contacting the state Board of Higher Education, other colleges in the state, and other agencies that might be able to use the facilities. State education officials went through all the motions of considering the offer, but, as the judge had expected, declined. Others did the same. In the meanwhile, students and faculty sponsored all kinds of fund-raising events to help raise the $350,000 needed in order to finish the current academic year. The judge and the student body president appeared often on local, statewide, and once even national television, dramatizing the college's need for funds and the students' need at least to complete the year. Trustees were also contacting the largest past donors to the college for bail-out funds, and this was the greatest single source. In addition, they were talking with local leaders, convincing them to work toward saving the college.

The president resigned that spring, and the business officer was replaced with staff members from a nationally-respected accounting firm. Those accountants later became the search committee for a new financial vice-president.

The key to long-term survival was rededication of the community and the church to supporting the college. The problem was that each tended to see the other as having primary responsibility. At a well-attended public meeting in the local high school, the judge described his efforts to sell the college and explained that "we can't even <u>give</u> the place away." Saying that if the community would pledge $1 million over the next three years he believed that the church would pledge $.5 million, he asked for a show of hands from the audience to determine whether they wanted this college to stay in business.

The drama of that moment, to which the community could hardly help but respond, was eclipsed only by the analogous session held as a specially called church conference with some 1,000 delegates. The judge smoothed the way by encouraging the other two church-supported colleges in the region to "ride on our sympathy" by joining in the request for

additional church funds. Supporters of those schools could no longer use the charge of favoritism to Rally in order to defeat the request. It happened, too, that the judge was in the middle of the only term he had ever served as an official delegate to the church conference, which gave him a right to speak there without special permission. Furthermore, he had helped out the bishop on past occasions.

The meeting lasted all morning, with impassioned pleas on both sides--some members of the church feeling that other social causes than higher education properly held much higher priority. The bishop, at the judge's prompting, stalled a request to adjourn for lunch and called for the vote. The judge walked the aisles, "staring people to their feet." After three recounts, the motion to support the colleges' request was declared passed by twenty votes. Little wonder that the judge believes it took a political style campaign to position the school for survival.

The remaining task was to hire a new president, and the judge supervised the search. The first priority of the trustees was to find someone who would run the college "like a business." This orientation, coupled with relative lack of priority on academic credentials, caused friction from the faculty. But the judge told them, "I'll do my best to be sure he can read and write--but all I really care about is whether he can add and subtract." After the college was healthy again, the judge believed, it could and should have the kind of president the faculty preferred--and that would be the time when he would step down from the chairmanship of the board.

Rally's ability to attract a competent president was aided by the pledges for support from the church and community. In effect, the new president's first three years could be a time for him to get the place on its feet without undue financial strain. The board found the man it was looking for, and he remains as president in 1982.

The underlying theme of successful crisis resolution in this case was absolute openness and honesty about the present condition of the college and a commitment to "re-open under new management." Only by convincing constituents quickly and in the long run that their investments in the college would serve the purpose of supporting a responsible educational institution could the college hope for their contributions.

Faculty, Administrators, and Others

Faculty. 34% of all faculty are tenured in 1982 (down from 55% in 1975), 22% of them have terminal degrees, and 44% are part-time. The number of faculty members was reduced between 1973 and 1975, when enrollments were declining, and from 1973 to 1976 they received no salary increases. Raises have averaged 5-7% in the years since 1976. By 1975, many of the faculty were teaching in disciplines for which they had not been trained, and they were supporting a great deal of independent study, which required inordinate amounts of time and preparation. With increasing emphasis on career programs since the mid-1970s, the faculty do not show serious signs of division over the shift from liberal arts. A criminal justice professor is currently the elected head of the faculty. The shift "disturbs" some of the traditional liberal arts faculty, but they accept it because they believe that it has been necessary in order for the institution to survive.

Administrators. The president from 1959 to 1975 was a minister, described in fatherly terms as a "one-man show." The current president is trained in adult education and came to the college from the presidency of a community college where he "worked miracles" in getting federal grants. He has long been active in the sponsoring church, is a very able fund-raiser, and believes that a critical function for him is to be a contributing member of the community. In addition, he is described as great at staying on top of ways to trim the budget, improve productivity, and keep costs down. While the trustees did not hire him to be innovative in the area of academic programs, the college has made such changes under his leadership.

Respondents feel that the president has assembled a very able administrative team. Past history in the development area consisted of various unprepared individuals, but since 1978 development has been headed by a professional in the field. The business officer hired in 1975 by the consulting accountants did not work out, but there is uniform and enthusiastic praise for the man who has filled the post since 1976 and, in the words of one respondent, "rationalized the financial situation." College officials found in 1975 that unpaid bills were stuffed in various drawers, the telephone bill hadn't been paid for six months, local vendors were alienated by the college's past due accounts, and the college was delinquent in paying on a federal construction loan.

Both admissions and student affairs are said to have been inadequately staffed before The Crunch, but to be well-staffed in the present administration. Although respondents did not make a direct link between poor admissions staff and declining enrollments in the early 1970s, the former may have been an important factor in that trend. Improvement in student affairs staffing is an expression of the administration's concern for the quality of student life.

Trustees. The trustees are elected by the church conference and at least three-fourths of them are church members, by charter. As is clear from the story of the 1975 crisis, trustees were relatively uninvolved in college affairs before the crisis. A few key trustees carried the college through the crisis, and most of them remain active on the board. The judge is still its chairman. Trustees are given a large share of credit by college administrators for the successful fund-raising efforts of the past several years.

Constituents. One respondent said of the local community that it "lays hold of everything that comes along," and that it fought like the dickens to get this college back in the 1950s. That fighting spirit can reverse direction, as it did when the 1975 crisis was first announced, but again it turned around as the community rallied to save the college. That support had to be earned over the years that followed The Crunch, as community members watched college progress closely and often stated that whether they honored their pledges would depend on whether the college honored its promises. Gift goals from the community, pledged long ago at an annual rate of $50,000, have been set and met at $350,000 for the past several years--an apparently high level of giving in a relatively small town where the largest single donation is likely to be $15,000 to $20,000. Administrators are mindful that it may not be sustainable, noting that campaign fatigue can set in after years of campaigns require re-invigorating many of the same people as solicitors and donors.

The college has not yet developed a full-blown alumni program, on the basis that its alumni have been in early career years because the college

is so young. The constituency is targeted for development now, however, as its earliest graduates approach mid-career.

The other primary constituency has been the church, although its financial contributions are less than those of the community. Rally maintains its religious orientation in its philosophy and operations, and the president is very active in church affairs as well as in the community.

Academic Programs

In the 1960s and early 1970s, Rally was a liberal arts college with teacher education. It had an interdisciplinary orientation and two degree tracks that included or emphasized independent study. Now Rally is characterized as no longer being a liberal arts college in practice, but it is unwilling to change its statement of mission accordingly. 20% of Rally's students are liberal arts majors, 63% are professional majors. The business and economics department was changed from a theoretical basis to a management basis, and programs in criminal justice and hotel/food service management have been added. They started masters in business and education in 1982 and are considering a program in aviation management. A fledgling nursing program was dropped because it proved too expensive to develop and maintain. The major in German was dropped in 1975, due to lack of enrollment.

Rally's three extension sites are very profitable for the college. At those sites, and in its host town, Rally offers night courses to targeted populations--representatives of which may have explicitly asked the college to offer courses they need--at virtually no cost to the college for overhead. They may be taught on an overload basis by on-campus faculty for additional pay, or by part-time faculty. Quality control for those courses is not perceived to be a problem.

The college has long had various cooperative arrangements with area technical institutes to combine technical training with academic courses for a baccalaureate degree. At least one such arrangement was reorganized by the present administration because it turned out that the college was, in effect, competing against itself and losing potential revenue.

Planning

Individual officers of the college may have plans for their functions, such as the ten-year Third Decade Plan, a projection of gift and capital needs. But planning does not seem to have been formalized or long-range at Rally. Institutional research and long-range planning are among the activities funded with a recent federal grant.

In the self-study for accreditation in 1966, the college projected 700 resident students by 1973, 900 by 1977, and 1,200 by 1980. Twelve hundred was felt then to be an optimum size, both for the facility and for the academic program. At that time, the college also planned on having an evening program.

Financial Situation

Total revenues were approximately level from 1973 to 1976, as shown in figure 3B. Since 1976, however, they have increased in both current and constant dollars--nearly doubling in four years to $3.5 million in 1980. Total expenditures exceeded total revenues in 1973 and 1974, but have ranged from $30,000 to $300,000 less than total revenues from 1977 through 1980.

Operating Budget. Rally showed operating deficits in nine of the fourteen years that preceded 1975, but none since that time. It must still pay $120,000-150,000 per year on those debts, until 1984. In the previous administration, budget building was said to have been secretive, while in the present administration it is a team process.

Rally received $400,000 in 1979 and 1980 from the federal Strengthening Developing Institutions Program (SDIP), which it has used to establish the evening division; improve computing in the college; and support institutional research, long-range planning, and staff development. Administrators believe that the college is heavily dependent upon gifts, a legacy of the crisis years, and they are trying to build the endowment from its current $.5 million as a start toward reducing this gift reliance. Some operating funds are transferred to endowment when possible.

Capital. The college owes approximately $2.3 million in long-term obligations and $505,000 for past operating deficits. The physical plant includes 13 buildings, mostly brick exteriors and cinder block interiors. Some interiors are targeted for renovation if additional gift income for that purpose becomes available.

Perceived financial situation. One respondent remarked, acknowledging some hyperbole in the comment, that "All colleges like Rally are always less than 100 students or $100,000 short of closing." Despite this sense that the threat is constant, real, and keenly felt, most respondents at Rally took pride and comfort in the progress it has made recently in enrollments and finances. Their major concern, at the time we talked with them, was the likelihood of major reductions in the availability of federal student aid.

Commentary on Rally College

Causes of College Problems

In summary, as one respondent put it, "The roof caved in because they never shoveled off the snow." Beyond college control, the draft no longer encouraged people to enroll, and in 1974 energy costs nearly tripled at Rally. But the major factors seem to have been under management control. The administration did not respond, or responded counter-productively, to such trends.

Debt service was deferred and short-term debt incurred in massive amounts, both without trustee awareness. Financial practices were deceptive, inept, and possibly even illegal. With virtually no endowment and small enrollments, Rally had no organizational slack to buffer itself in hard times. So when enrollments fell short of projections by 80 students, the food service had a bad year, and energy costs zoomed, Rally had no recourse.

The administrative attitude was that everything would take care of itself, "The Lord will provide." According to current staff, only the Lord could do it--many key administrators were worse than useless in handling the situation. In student affairs, business affairs, and development, top personnel were ineffective at best.

College Response to Decline

In the short term, a human dynamo took over the reins and declared the crisis publicly. Community and church support rallied, the entire top administration changed hands, and the college gained three years of artificial respiration from the fund drive. Timing and coincidence played no small part in these developments.

In the 1975-76 college catalog the judge, acting as unofficial interim president when the catalog was produced, outlined a nine-point long-term plan that summarizes much of the subsequent survival strategy of the college: operate more economically, revise the curriculum to be more attractive, emphasize the quality of religious life, emphasize adult enrollments, increase state aid, build the alumni association, increase efforts at debt retirement, increase efforts to obtain deferred gifts, and capitalize on new awareness of recent problems.

Rally's response has indeed been multi-faceted. Efficiency and productivity have been increased and cooperative arrangements changed in order to help cut costs. A critical facet of improved efficiency and productivity has been insistence on highly qualified, professional staff who effectively assume their assigned responsibilities. The college reaffirmed its religious orientation but modified its academic programs to include far greater emphasis on career programs than had been true in the past. Admissions standards were not strictly applied. Extension and evening course offerings multiplied.

Lower admissions standards and extension/evening courses were part of an effort to ensure that enrollments in the college grew. The president believed that it was "terribly important" to show such growth as part of his effort to gain community enthusiasm and confidence. Through his personal involvements and the college's continuing openness about its financial condition, the president further sought to ensure a trustworthy, vital image for the school.

On the income side, many respondents commented that what would be a drop-in-the-bucket donation to the private major research university in the state would be highly visible, achieving enormous impact, at Rally. This may have been one approach used in soliciting gifts. The annual fund drive has been institutionalized, and trustees are moving with the development officer and president toward major gift and bequest improvement.

The Lessons in Rally's Experience

A public crisis can be used to purge and restore a troubled institution. Obviously, this is a risky strategy--perhaps useful only when the college has nothing to lose in trying it. Rally's leaders believed that finishing the 1974-75 academic year was in serious jeopardy, and early headlines showed that they expected the college to close.

Either the college would in fact close, leaving a bitter taste with its previously trusting supporters, or it would not. Remaining open, however, required that supporters be allowed to vent their anger without over-reaction from college leaders, and it required "a second founding" for the college in the form of entirely new leadership with constant and consistent attention to candid communication with the supporters.

The public crisis had a number of beneficial effects. It seems to have created a climate in which rapid major institutional changes were not only accepted, they were demanded--by supporters and college members alike. The future of the college depended upon such rapid, major change. Further, the crisis engendered a willingness to sacrifice for the sake of the college, especially within the college. It forced everyone involved to face squarely the question, "Do you want this college or don't you?" In doing so, people rededicated themselves to the college and shared strong hardship-induced bonds among themselves.

Constituent support is vital in achieving a turnaround, and it responds to a new image. Neither the crisis nor the years following were survivable without strong attitudinal and financial support from the community and the church. Had either of these groups not had an historic investment in college welfare and a willingness to respond to its troubles, the college would have closed. They responded despite the fact that they felt betrayed, and despite the fact that student behavior had strayed from church and community expectations. They were willing to give the college another chance.

Those constituents seem to have been cautious at first, paying close attention to developments as they occurred to see whether their response would prove warranted. After seven years, they seem to have accepted the new Rally as it presents itself--more responsive to their educational needs, their expectations of students, and their need for fiscal responsibility.

Management and trustees have major effects, both harmful and beneficial, on college welfare. These effects are attributable to their behavior, not to their intentions. No respondent attributed any but the purest of motives to either of Rally's two administrations. Yet it was largely through the errors in judgment of the first group and, in some instances, incompetence on their part that the crisis arose. Conversely, while some respondents had suspected the professed altruism of the judge's motives (suspicions, they admitted, that have since proved unfounded), his actions together with those of a small group of trustees arrested decline and positioned Rally for recovery. Present administrators, especially the president, business officer, and development officer, are widely credited with successfully picking up the ball and running with it. Their decisions and behavior are given a large share of credit for Rally's current situation.

Achieving a turnaround in institutional welfare requires a new administrative team. Although a new administration is not a sufficient condition for recovery, as other cases in this study demonstrate, Rally's experience certainly shows that it can be a necessary condition. Constituent support, the sine qua non of recovery in this case, would not have been available to the administration that got the college into trouble.

A strategy of program variety, including implicit mission modification, can improve enrollments when new programs are (a) closely tied to explicit market demand and (b) abandoned when they prove

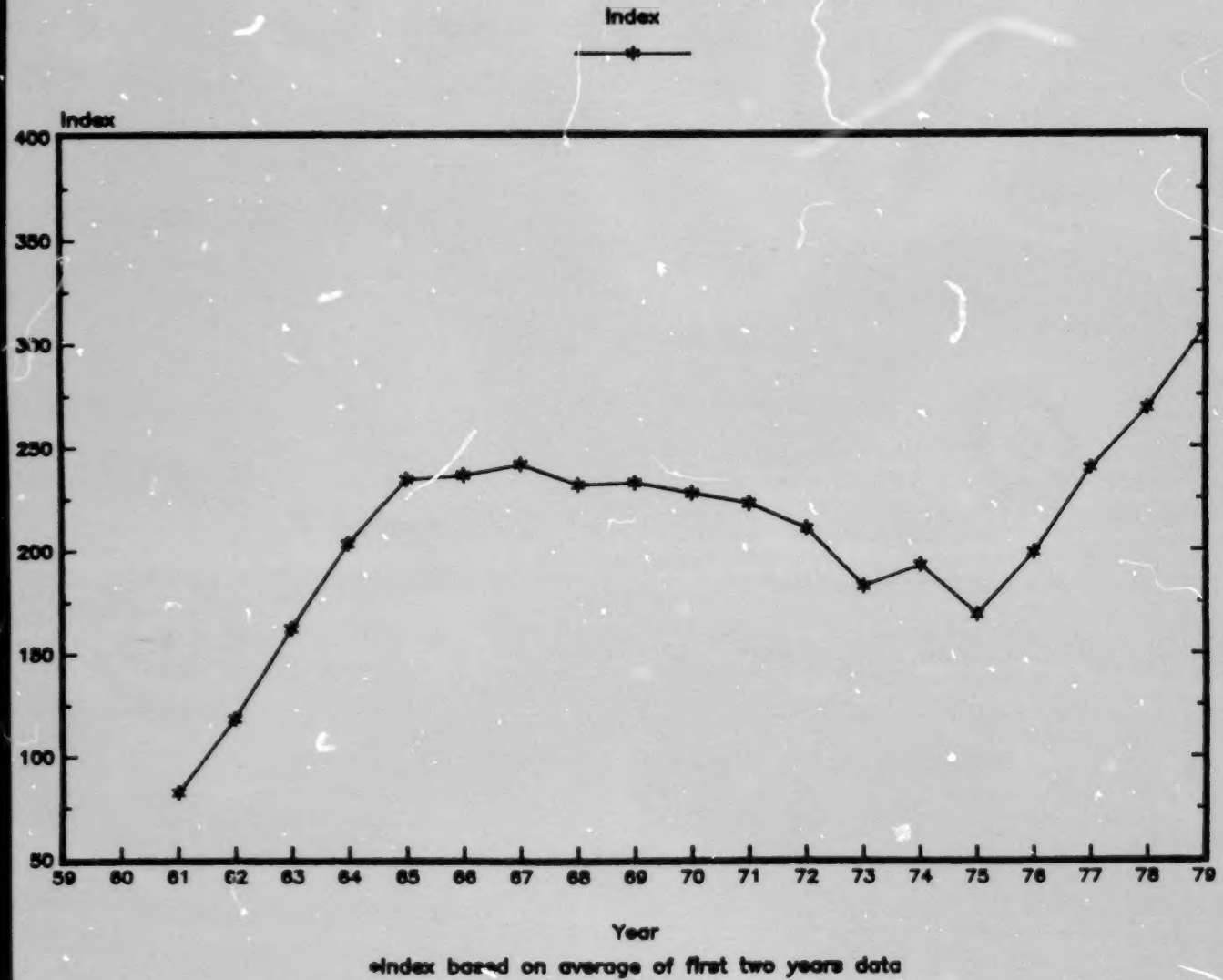
unworkable. Rally has shifted from a liberal arts/education college to one in which over 50% of its programs and students are in professional and career programs. However, it retains nearly all of its liberal arts courses and elementary education continues to attract a large number of majors. New programs have been started without special grant support, usually at the specific request of representatives of potential students. They are begun cautiously and, in the case of nursing, they are dropped when they prove too expensive.

An important part of college strategy may be to focus on achieving efficiency and productivity. Such measures lack glamor and are often difficult to achieve, but some respondents attributed as much as 50% of current college welfare to them. They run the gamut from insisting on observance of an eight-hour day in administrative offices, to repairing and modifying the physical plant, to assigning faculty to extension courses to fill out their load in the days when enrollment was too small to use them fully in the residence program.

FIGURE 1B

Indexed* Headcount Enrollments (1959–1979)

Rally College



*Index based on average of first two years data

Figure 2B. Rally College: Total Full-Time Equivalent Students by year 1973 - 1979

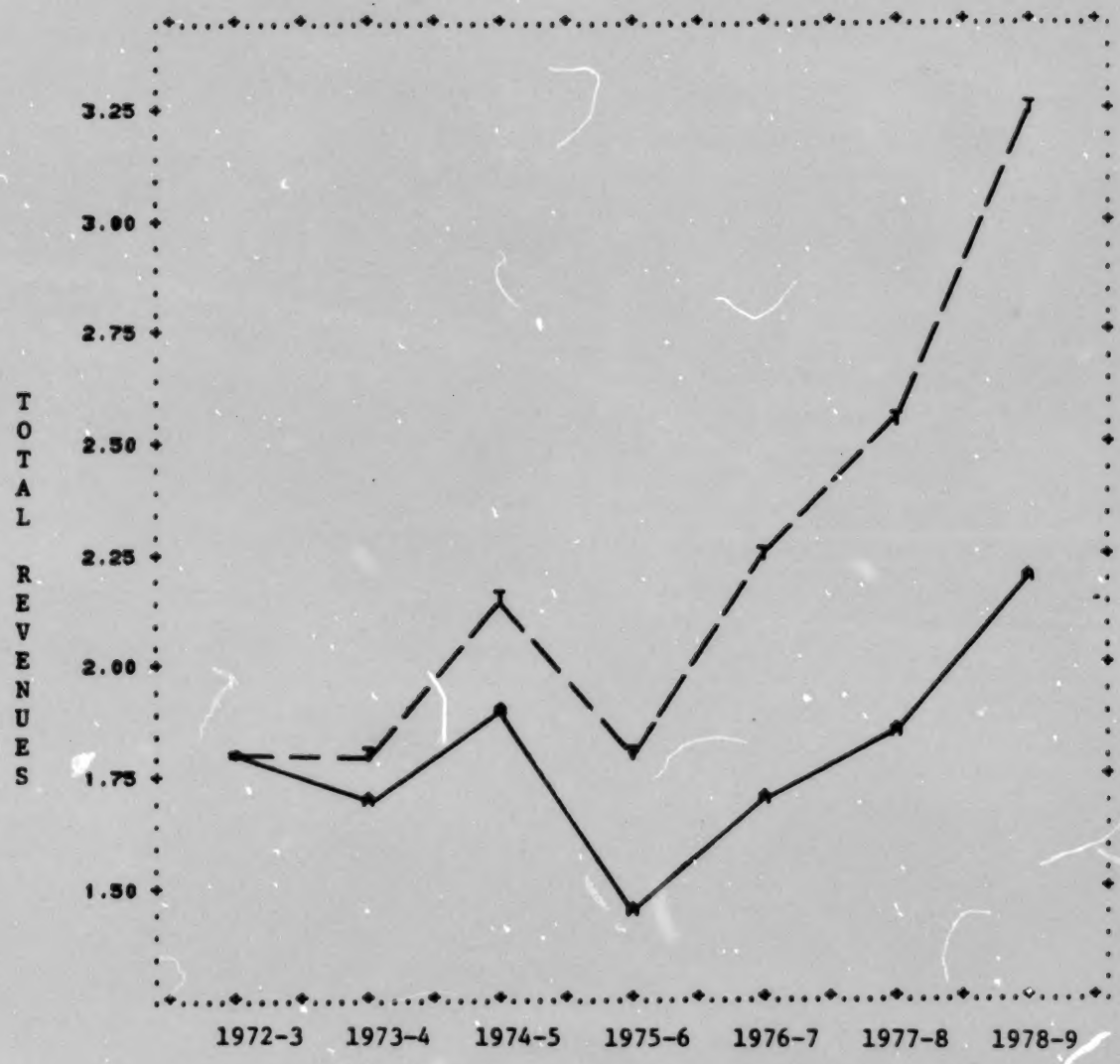


Figure 3B. Rally College: 1973 - 1979 Revenue Trends

T = Total revenues
A = Total revenues adjusted for inflation (HEPI)

Table 1B. Rally College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	964,245	0	0	10,520	272,331	650,018	1,897,114
73	938,018	0	0	12,946	276,184	586,611	1,813,759
74	866,041	0	0	20,373	333,564	588,061	1,808,039
75	951,840	0	62,950	24,900	636,976	477,471	2,154,137
76	822,287	0	106,500	25,200	457,504	388,859	1,800,350
77	927,934	0	97,311	21,518	762,363	437,547	2,246,673
78	1,046,815	0	104,281	25,500	690,996	686,427	2,554,019
79	1,282,309	0	131,152	40,759	647,413	1,147,668	3,249,301
80	1,694,828	0	233,072	29,641	736,630	846,173	3,540,344

34

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Main.. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	541,805	0	0	169,698	507,033	NA	NA	NA	68,912	1,288,601	1,796,665
73	578,448	0	0	179,017	530,079	NA	NA	NA	67,972	1,365,424	1,856,506
74	564,333	0	0	197,380	477,895	NA	NA	NA	93,487	1,301,234	1,850,957
75	618,674	0	31,741	233,946	406,195	171,728	83,403	115,496	NA	1,674,183	1,994,859
76	469,747	0	0	100,739	481,210	182,969	67,000	139,474	NA	1,456,229	1,800,350
77	521,293	0	0	173,192	393,470	175,797	146,966	176,667	NA	1,666,305	2,091,378
78	666,012	0	0	177,117	454,201	213,830	87,151	222,493	NA	1,921,826	2,445,095
79	868,755	0	0	167,625	422,682	245,441	99,063	360,308	NA	2,339,931	2,896,532
80	1,013,519	0	0	211,467	547,482	314,288	92,366	436,130	NA	2,799,468	3,513,191

Table 2B. Rally College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	50.8	0.0	0.0	.6	14.4	34.3
73	51.7	0.0	0.0	.7	15.2	32.3
74	47.9	0.0	0.0	1.1	18.4	32.5
75	44.2	0.0	2.9	1.2	29.5	22.2
76	45.7	0.0	5.9	1.4	25.4	21.6
77	41.3	0.0	4.3	1.0	33.9	19.5
78	41.0	0.0	4.1	1.0	27.1	26.9
79	39.5	0.0	4.0	1.3	19.9	35.3
80	47.9	0.0	6.6	.8	20.8	23.9
*$\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	30.2	0.0	0.0	9.4	28.2	NA	NA	NA	3.8	71.7
73	31.2	0.0	0.0	9.6	28.6	NA	NA	NA	3.7	73.5
74	30.5	0.0	0.0	10.7	25.8	NA	NA	NA	5.1	70.3
75	31.0	0.0	1.6	11.7	20.4	8.6	4.2	5.8	NA	83.9
76	26.1	0.0	0.0	5.6	26.7	10.2	3.7	7.7	NA	80.9
77	24.9	0.0	0.0	8.3	18.8	8.4	7.0	8.4	NA	79.7
78	27.2	0.0	0.0	7.2	18.6	8.7	3.6	9.1	NA	78.6
79	30.0	0.0	0.0	5.8	14.6	8.5	3.4	12.4	NA	80.8
80	28.8	0.0	0.0	6.0	15.6	8.9	2.6	12.4	NA	79.7
*$\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

*$\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3B. Rally College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$1,642.76	$1,013.04	NA	NA	571
74	$1,804.25	$1,175.69	NA	NA	480
75	$1,987.14	$1,291.59	$358.51	$241.12	479
76	$2,076.48	$1,186.23	$462.04	$352.21	396
77	$1,987.01	$1,116.26	$376.44	$378.30	467
78	$1,852.77	$1,178.78	$378.46	$393.79	565
79	$1,960.72	$1,328.37	$375.29	$550.93	654
80	$2,262.79	$1,353.16	$419.61	$582.28	749

Table 4B. Rally College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue		Gifts Revenue		Endowment Revenue		Total Revenue		Total TOTFTE	
1971-72	$964,245		$272,331		$10,520		$1,897,114			
	100.0		100.0		100.0		100.0			
1972-73	$938,018		$276,184		$12,946		$1,813,759		571	
	97.3	-2.7%	101.4	1.4%	123.1	23.1%	95.6	-4.4%	100.0	
1973-74	$866,041		$333,564		$20,373		$1,808,039		480	
	89.8	-7.7%	122.5	20.8%	193.7	57.4%	95.3	-.3%	84.1	-15.9%
1974-75	$951,840		$636,976		$24,900		$2,154,137		479	
	98.7	9.9%	233.9	91.0%	236.7	22.2%	113.5	19.1%	83.9	-.2%
1975-76	$822,287		$457,504		$25,200		$1,800,350		396	
	85.3	-13.6%	168.0	-28.2%	239.5	1.2%	94.9	-16.4%	69.4	-17.3%
1976-77	$927,934		$762,363		$21,518		$2,246,673		467	
	96.2	12.8%	279.9	66.6%	204.5	-14.6%	118.4	24.8%	81.8	17.9%
1977-78	$1,046,815		$690,996		$25,500		$2,534,819		565	
	108.6	12.8%	253.7	-9.4%	242.4	18.5%	134.6	13.7%	98.9	21.0%
1978-79	$1,282,309		$647,413		$40,759		$3,249,301		654	
	133.0	22.5%	237.7	-6.3%	387.4	59.8%	171.3	27.2%	114.5	15.8%
1979-80	$1,694,828		$736,630		$29,641		$3,540,344		749	
	175.8	32.2%	270.5	13.8%	281.8	-27.3%	186.6	9.0%	131.2	14.5%

Table 5B. Rally College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships& Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$1,208,601		$1,796,665	
	100.0		100.0		100.0	
1972-73	$0		$1,365,424		$1,856,506	
	.0	.0%	106.0	6.0%	103.3	3.3%
1973-74	$0		$1,301,234		$1,850,957	
	.0	.0%	101.0	-4.7%	103.0	-.3%
1974-75	$171,728		$1,674,103		$1,994,859	
	.0	.0%	129.9	28.7%	111.0	7.8%
1975-76	$182,969		$1,456,229		$1,800,350	
	.0	6.5%	113.0	-13.0%	100.2	-9.8%
1976-77	$175,797		$1,666,305		$2,091,370	
	.0	-3.9%	129.3	14.4%	116.4	16.2%
1977-78	$213,830		$1,921,826		$2,445,095	
	.0	21.6%	149.1	15.3%	136.1	16.9%
1978-79	$245,441		$2,339,931		$2,896,532	
	.0	14.8%	181.6	21.8%	161.2	18.5%
1979-80	$314,208		$2,799,468		$3,513,191	
	.0	28.1%	217.2	19.6%	195.5	21.3%

Table 6B. Rally College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr	Market Value Beg of Yr	Book Value End of Yr	Market Value End of Yr	Yield
1971-72	$306,920 100.0	$386,354 100.0	$306,920 100.0	$392,631 100.0	$10,520 100.0
1972-73	$306,920 100.0 .0%	$392,631 101.6 1.6%	$347,206 113.1 13.1%	$443,619 113.0 13.0%	$12,946 123.1 23.1%
1973-74	$347,206 113.1 13.1%	$0 .0 -100.0%	$429,313 139.9 23.6%	$0 .0 -100.0%	$20,373 193.7 57.4%
1974-75	$697,841 227.4 101.0%	$697,841 180.6 .0%	$747,162 243.4 74.0%	$747,162 190.3 .0%	$24,900 236.7 22.2%
1975-76	$747,162 243.4 7.1%	$747,162 193.4 7.1%	$487,252 158.8 -34.8%	$487,252 124.1 -34.8%	$25,200 239.5 1.2%
1976-77	$487,252 158.8 -34.8%	$509,184 131.8 -31.9%	$504,691 164.4 3.6%	$527,337 134.3 8.2%	$31,365 298.1 24.5%
1977-78	$504,691 164.4 3.6%	$527,337 136.5 3.6%	$506,629 165.1 .4%	$529,813 134.9 .5%	$39,333 373.9 25.4%
1978-79	$506,629 165.1 .4%	$529,813 137.1 .5%	$315,886 102.9 -37.6%	$348,376 88.7 -34.2%	$37,840 359.7 -3.8%
1979-80	$315,886 102.9 -37.6%	$348,376 90.2 -34.2%	$508,156 165.6 60.9%	$540,556 137.7 55.2%	$29,641 281.8 -21.7%

Table 7B. Rally College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr		Additional Borrowed		Payments Made		Balance Owed End of Yr		Interest Payments	
1971-72	$3,177,831		$46,145		$41,000					
	100.0		100.0		100.0					
1972-73	$3,182,976		$124,719		$38,000					
	100.2	.2%	270.3	170.3%	92.7	-7.3%				
1973-74	$3,269,695		$92,364		$38,000					
	102.9	2.7%	200.2	-25.9%	92.7	.0%				
1974-75	$3,324,059		$167,590		$44,000		$3,447,649		$148,802	
	104.6	1.7%	363.2	81.4%	107.3	15.8%	100.0		100.0	
1975-76	$3,447,649		$0		$329,649		$3,118,000		$116,610	
	108.5	3.7%	.0	-100.0%	804.0	649.2%	90.4	-9.6%	78.4	-21.6%
1976-77	$3,118,000		$264,324		$34,000		$3,348,324		$41,463	
	98.1	-9.6%	572.8	.0%	82.9	-89.7%	97.1	7.4%	27.9	-64.4%
1977-78	$2,207,000		$0		$34,000		$2,173,000		$63,488	
	69.4	-29.2%	.0	-100.0%	82.9	.0%	63.0	-35.1%	42.7	53.1%
1978-79	$2,173,000		$0		$84,115		$2,088,885		$86,548	
	68.4	-1.5%	.0	.0%	205.2	147.4%	60.6	-3.9%	58.2	36.3%
1979-80	$2,088,885		$0		$52,660		$2,036,225		$81,657	
	65.7	-3.9%	.0	.0%	128.4	-37.4%	59.1	-2.5%	54.9	-5.7%

ENTERPRISE COLLEGE

PROFILE

Location:	Small town, Central Atlantic
Type:	1923-1965, Protestant 1965-present, Independent but affiliated 1973: Liberal Arts I 1976: Liberal Arts II Women's college
1982 enrollment:	822 FTE
Date founded:	1842 as a women's seminary (two years) 1923 as four-year liberal arts
1981 cost:	$6,985 (tuition, room, and board) 40% of students have typically received financial aid

The Story of Enterprise College

Located in a small town, in a rural area, Enterprise has been educating women for 140 years--first as a two-year seminary, and since 1923 as a four-year liberal arts college. Moderately selective, it has long attracted daughters of wealthy families. The setting and the campus, composed of 32 classic buildings, have been described as "idyllic."

Branch campuses. Enterprise has no branch campuses. In 1982, it established an office for its adult degree program in a major city 100 miles away.

Competition. Four other liberal arts colleges for women are located within 90 miles of Enterprise. Its clientele tend to be more likely to consider colleges such as those than state colleges. The flagship university of the state is forty miles from Enterprise.

Enrollments and Students

Enrollments grew steadily from 1959, when Enterprise had 376 students, through the 1966 figure of 711. They stayed at about that level through 1973, when they started down to a 1975 low of 553. Again they climbed, reaching 814 by 1979. Full-time equivalent (FTE) students hit bottom in 1976 at 542 but rose to 822 by 1982.

Students. Many of the students at Enterprise are from middle or upper income families. Only 40% receive financial aid, (some of it from a state program), and an estimated 25% have families with incomes greater than $100,000 per year. For these reasons, and because of recent endowment gains, the college is not worried about any reduction in federal

aid to students. Forty percent are from in-state, and a large proportion of the remainder is from the ten-state region. In 1982, 7% were minorities, up from 2% ten years previously. Retention is up, from 53% graduating in four years in the class of 1977 to 61% in 1981. Admissions standards have declined since 1969, with average SAT scores of freshmen dropping over 120 points in that period. Reversing that trend is a current administrative priority.

Enterprise started an administratively separate adult degree program in 1976 which now enrolls 140 students. They are primarily non-resident adult women.

Student life. Some of the religious expectations of students were dropped when the relationship with the church was restructured in 1965, but the college still offers religious activities and maintains ties with the church.

In the late 1960s and early 1970s, regulations regarding alcohol, permission to hold midweek parties, and other aspects of student life were relaxed. They have since been reinstated and enforced. Also in recent years, dormitory life and recreational activities for students have been improved.

Faculty, Administrators, and Others

Faculty. The number of faculty members grew during the 1960s, reflecting the importance of maintaining a small student-faculty ratio. Their number began to be trimmed in the early 1970s, with a relatively major reduction in 1974 to about the present size. Since 1976 the administration has imposed a cap of 54 FTE faculty, mandating that all program change be accomplished within that number and through some use of adjunct professors (now up to 24% of the faculty).

Although well over half of the faculty have earned terminal degrees in their fields, one respondent said that in the present market for faculty they feel "captive." That is, they may not feel that they might readily find positions in other colleges. Perhaps more important to Enterprise's ability to retain faculty, they are exceedingly loyal to the college. These factors proved valuable in encouraging faculty support for some major changes in the college in the mid-1970s and in fostering their appreciation for those changes that enabled the college to survive that difficult period.

The faculty had salary increases averaging 5.5% per year from 1972-1979. However for the past four years increases have averaged 10% per year. One of the difficult changes in the college was imposition of a cap on the proportion of the faculty who may be tenured. That cap was set, against the will of the faculty, at a goal of 60% in 1977. Implementation of the policy has proven trouble-free, however, and the current rate of tenure for full-time faculty is only 52%.

College decisionmaking became relatively centralized during the mid-1970s. The faculty have been rankled by this and other moves, but above all they are grateful that the college has been rescued. Faculty now express a desire for more participative decisionmaking, and they are enthusiastic about the prospects for that under the new academic dean who was brought in during 1982.

Administrators. The president until 1969 enjoyed a growth period and is said to have had no hard decisions to make. He set the stage for later

problems, however, by overbuilding the faculty and by increasing college enrollments and properties without increasing its endowment. It was during the administration of the president from 1969 to 1975 that college problems began to accumulate.

That president was said to lack foresight; to be unwilling to face and deal with problems as they arose; and to be traditional, paternalistic, and indecisive in style. In four out of those six years, Enterprise had an operating deficit; the deficit stood at $390,000 by 1975, despite major transfers from endowment and capital campaigns. This president, according to respondents, seemed to be more interested in keeping up appearances (engraved stationery, lovely flower gardens) than in financial affairs (ignoring a bleak five-year financial forecast in 1973). As contraindication to this view, the president did make some apparently difficult faculty reduction decisions toward the end of his term. In addition, he closed Enterprise's two overseas campuses in 1973-75 for financial reasons. He also initiated a fund drive in 1972 with the goal of over $7 million by 1977, $10 million by 1980. By 1974 the trustees were so concerned about the president's absences from campus for fund-raising that they directed him to hire an on-campus executive assistant. He had raised less than one million dollars by 1975, which was transferred to cover accumulating operating deficit.

Comments on this president's non-financial contributions are also mixed. During his administration, the college held a conference on women in corporations (1970) and received a grant on women in science from the National Science Foundation. It was also during this period that regulation of student behavior relaxed to the point that current respondents felt it was detrimental to the college.

In 1975-76, Enterprise had an acting president, followed in 1976 by a woman who is still in office. To an extent that is true of only one other college in this study, she is given personal and resounding credit for the present well-being of the college. Presidents have played important roles in all other cases that were able to improve their condition, but in only one other college did we so often hear, simply and emphatically, "the president" when we asked what had enabled the college to recover.

Commenting on the financial condition of the college when she arrived, the president said, "We had to get better even to get another institution interested in taking us in a merger." The faculty had been getting hints about problems from the academic dean during the previous administration, but the president had never acknowledged them publicly. Yet respondents stated that rumors of Enterprise's impending closure were common by the mid-1970s. The new president spent her first year confirming the severe difficulties and taking immediate, visible action to improve the situation. She hired consultants to review admissions and academic offerings. Subsequent sections of this case study describe additional measures taken by the president.

Only the registrar remains from the previous administration. Major changes in all other top administrators came swiftly, including business affairs, development, and student affairs. In many cases, these and similar functions had been filled by faculty on a part-time basis, by internal promotions of inexperienced and untrained personnel, and by retired military personnel. Now these staff members are professionals, experienced in their fields. The business officer, who has served since 1977, is singled out by respondents as having been exceptionally effective. Not only does he have fine skills in financial management, but

he also is given high marks for understanding both the substance and the process of the academic side of the institution.

Trustees. Selection of the trustees is and has always been done with particular concern for church representation. In recent years the board has been built with such care that it is now termed "incredible" in the ability, wealth, connections, and concern for the college of its members. A number of them are corporate executives and wealthy alumnae.

Trustees permitted the deficits in the early 1970s, but called a halt when another was projected for 1975. They created two new positions in 1974--comptroller and executive assistant to the president. They were very involved in the change of administrations. The new president in 1976 won them over quickly when, upon arrival, she found that the current budget proposal called for another deficit and asked the trustees not to approve it.

Constituents. Enterprise's primary external constituency is its alumnae, some of whom have great personal wealth. In recent years, the college has increasingly involved them as trustees, participants in college activities, and donors. In 1976, only 17% of the alumnae contributed to the college. In 1981, Enterprise was recognized nationally as the women's college with the greatest annual increase in alumnae giving. Because of their importance to the college, and because of their sensitivity about making major changes in the college as they knew it, Enterprise administrators are cautious about the amount and direction of change in the institution.

Enterprise makes its facilities available to the community, and they make substantial use of it. Community relations were strained in 1976, however, by the arrival of the new president. Local businessmen and other leaders were unaccustomed to dealing with professional women at all, let alone one as forceful as this one. Further, she put a stop to the traditional college practice of doing business with certain individuals and insisted on a system of competitive bidding for the first time in college history--thereby alienating those who were unused to competing for college business.

An unusual move by the current president has been to define a new constituency for the college--executive officers of major corporations throughout the country. The college solicits their advice, sends proposals to their foundations, and invites them to give regular seminars to Enterprise's business students. These efforts have generated great good will among the executives, as well as direct support through donations of time, money, and expertise.

Academic Programs

Enterprise has maintained nearly all of its liberal arts programs, dropping only German, educational psychology, and psychological services. It has added business management (which now accounts for 20% of upperclassmen who have declared majors), arts management, social work, mass communication, and a computer literacy component. All new programs include strong liberal arts requirements, which has at least two effects beyond those on the students: (1) it provides students for liberal arts courses that otherwise might be ailing, and (2) it satisfies the faculty and alumnae that Enterprise remains committed to its historical mission. In addition, the college encourages a strong international theme throughout its formal and informal programs.

An evening program was begun in 1972. It once offered both credit and non-credit courses, but currently the courses are all non-credit.

In 1974-75 a major faculty study culminated in a number of changes: more interdisciplinary courses, competency-based grading, no specific course requirements, increased focus on experiential learning, and reorganizing from departments into five divisions. Enterprise now has distribution requirements among the five divisions.

In 1976, when the adult degree program began, it was one of the few offered by a college in a rural area. It was started, and its results disseminated, through a grant. The program is organizationally separate from the regular undergraduate program--one person thought of it not as a change in clientele, but a "successful venture" that was financially beneficial and a contributor to the college's enrollment figures. The program permits students credit for past experience and college work, allows for contract learning including coursework at other colleges, and requires at least one year of work at Enterprise for a baccalaureate degree. It currently enrolls 140 students and it has graduated 79. In 1982, it opened an office in a major city 100 miles from campus. When the program was first proposed, the faculty expressed concern about quality control. All academic issues were turned over to the faculty for their decision and continuing control, and they have subsequently been well-pleased with the quality of students and programs in that area.

Planning

Although Enterprise has had computing capacity for at least a decade, it has improved that capacity and made far greater use of data and analysis in management during the present administration. The previous system was not structured for critical feedback to management, as the presence of only two budget lines for the entire physical plant component illustrates.

Enterprise staff now use planning models, such as those presented by EDUCOM and NACUBO. They are currently quite interested in developing their market research, especially with reference to students and donors.

Financial Situation

As noted previously, the accumulated operating deficit by 1976 was $390,000. These deficits were in addition to having taken over $.4 million out of realized gains in endowment, almost $100,000 from quasi-endowment, and nearly $.5 million from the proceeds of the capital campaign for use in the operating budget. Total revenues in the operating budget were level from 1972 through 1976. Since 1976, total revenues have more than doubled, past operating deficits have been repaid, and surpluses accumulated.

Operating budget. When the new president asked the trustees in 1976 to disapprove a budget that called for a deficit, she made good on the implied promise to balance it. Within a year, a surplus was achieved and applied to past debt. Part of the success was due to her efforts to demonstrate college problems to the faculty and staff so that she and they could find ways of cutting expenses. Two representative measures that seemed to have symbolic value in that we heard them mentioned so often

were (a) initiating a control system on long distance telephone calls and (b) ending the practice of giving staff members a free lunch. Respondents attribute an estimated 15% of the improvement in the bottom line during this administration to such expenditure reductions.

The remaining 85% is due to increased revenues from all sources. As enrollments have gone up, so has tuition revenue. Annual gift income has more than doubled. The endowment principal has increased so far that its income to operating expenses has more than tripled in ten years, now contributing 9% of total revenues. Prior to this administration, Enterprise had had virtually no grants; it has since successfully applied for a number of them.

Past practice had been to charge expenditures to whatever account had enough money in it. Practice under the current administration is to ensure that charges are made to appropriate accounts. All capital expenditures, down to calculators, have been taken out of department budgets so that the funds do not inadvertently become part of their budget base. Zero base budgeting is used for those areas, such as laboratory sciences, which typically have high annual capital needs. When it seems warranted, three budgets are prepared, assuming that enrollments will increase, decrease, or remain constant. When enrollments are known, the appropriate budget is activated.

Capital. Endowment value has been brought from $2 million in 1974 to $8 million in 1982. A professional investment counselor was hired by the trustees to manage the college endowment. His decisions have enabled the endowment to perform better than Standard and Poor's. He is closely supervised by professional investment counsel among the trustees. The capital drive of the previous administration has been completed. Respondents believe that the college had been timid about asking for money in the past, but "as anxiety went up, timidity went down."

Two capital changes in 1976-77 had perhaps more symbolic value than financial impact, but they deserve mention. Just before the new president was hired, a school whose campus adjoined that of Enterprise announced that it must close and put its campus up for sale. With the resulting uncertainty about what might happen right next door, and with rumors of some highly undesirable possibilities, the college felt it had no choice but to buy the campus. Yet this was the very time when rumors of Enterprise's own demise were circulating. Through the generosity of an anonymous alumna and reselling part of the campus to a local community group, Enterprise was able to buy the campus. This served as a dramatic statement of the intent of the college to stay in business and its ability to generate revenue when necessary. The college was able to keep the costs of holding that campus to a minimum while it was climbing out of debt and is now developing plans to renovate some of its buildings to meet the needs of college programs.

The second change was to sell the president's home, at about the same time. The home was more elaborate and more expensive to maintain than college circumstances warranted. Having made this move may have mollified others in the college community about the sacrifices they were being asked to make at that time.

Perceived financial condition. Respondents are quite optimistic about the condition and prospects of Enterprise. A major source of comfort derives from the improved endowment, which cushions the college from changes in federal student aid policy as well as other unforeseen problems. Several, including faculty members, remarked that their

optimism depended upon continuing this administration, or one similarly able in financial skills.

Commentary on Enterprise College

Causes of College Problems

Unlike many colleges in this study, the problems at Enterprise were not closely tied to declining enrollments. Enrollment was level from 1966 to 1973, at which point they went down 22% in two years. But the college incurred a major operating deficit as early as 1970. The enrollment dip simply exacerbated existing problems.

On hearing descriptions of life in the late 1960s and early 1970s at Enterprise, we were reminded of European aristocrats whose family no longer had much money but who nonetheless spent to keep up appearances. Their status, they seemed to feel, was not derived from wealth but from a position that must be supported even when sufficient funds were not available. In short, the college lived beyond its means without facing the problems that created until almost too late. It was unsuccessful, whether through inattention or inability in its administrators, in increasing endowment and gifts and keeping expenditures down.

College Response to Decline

The response has been multi-faceted, starting with an entirely new administration. The new president and the team she has assembled, particularly the business officer, are given great personal credit for the success of all the other efforts to improve Enterprise's situation.

Financial responses came on both the income and expenditure sides. A moderate sense of crisis was made explicit by the administration in order to motivate college-wide cooperation with some extraordinary measures while not inducing a sense of despair. Budget controls were instituted and cost savings created.

Income improved through a variety of methods, but the most productive in the short run was personal solicitation of donors by the president with trustee assistance. For the first time in recent college memory, the college asked for money. Fortunately, the college had close access to a great deal of untapped money through its wealthy alumnae. Their gifts have been supplemented by corporate and foundation assistance, and changes in the membership of the Board of Trustees have facilitated fund-raising.

Maintaining and improving enrollment is an important facet of recovery here, both for tuition revenues and for an image of success and growth. The adult degree program begun in 1976 contributed 140 of the 822 students at Enterprise in 1982. The most popular of the new programs, business administration, has proven effective both in attracting students and in supporting traditional liberal arts programs.

The Lessons in Enterprise's Experience

The silver lining point of view that claims adversity may be used to advantage is supported by the Enterprise experience. The college had a fine reputation as a selective liberal arts college and, accordingly, little change was made in its curriculum. The primary improvements have been in college management and in its position for the long term.

A college can recover from over-optimistic planning, but it is easier to do so when such planning has been manifested in personnel rather than in capital indebtedness. During the growth years, administrators seem to have made two errors that have since been corrected: they hired too many faculty, and they did not raise non-tuition revenue. The 1969-75 president trimmed back faculty size, and the current president has concentrated on non-tuition revenue. The balance owed in capital debt is $2 million. The lack of major new capital payments and a relatively low balance due have saved Enterprise from "the last straw" that seemed to be the major problem for many other cases in this study--the need to raise $.5 million or more just to make principal and interest payments.

Enrollment decline may not necessarily cause college problems; rather, it may reveal problems. Financial difficulties at Enterprise predate its decline in enrollments. When enrollment went down in 1973, trustees and others perceived a serious problem, even though operating deficits were as small or smaller than they had been in 1970 and 1971. What seems to have triggered corrective action was quantitative evidence in enrollments that the college may be in trouble, coupled with the accumulating weight of past debt.

A symbolic event may have great value in changing attitudes about the future of a college. Purchasing the campus next door for $1 million must have created a good deal of cognitive dissonance in those both inside and outside the college who believed that it was about to close its doors. This event, especially since it came simultaneously with a new administration, served the same function for Enterprise that public crisis served for Rally College. It showed the world that Enterprise had backers who were willing to invest. It appeared to show that Enterprise had every intention of living on indefinitely--although in reality the investment was sound whether the college stayed open or closed. The college thereby allayed any fears in potential students and current students about their ability to finish a degree at Enterprise, forestalling possible enrollment decline due to lack of confidence in the institution.

Well-prepared, experienced, talented management can turn a college that was losing money into one that is well-positioned for a long-term future. The president has a degree in administration and experience in colleges that were coping with financial difficulties. The business manager's degree is in microeconomics, and he, too, served a financially troubled college. In his function, and in admissions, development, and student life, previous incumbents--unlike present ones--were often trained in unrelated areas and short on comparable experience. New staff brought with them attitudes and ideas that have fostered growth in enrollments, endowment, and other areas that can only be termed remarkable for the times.

Furthermore, the president is the key actor in the group. Having won such credit from college staff for the turnaround, the contributions of the president warrant special mention. Although we cannot define the attributes and actions that specifically produced the turnaround, we can

comment on her most salient features and the ways in which she differs from many other presidents.

The president was credited by one respondent for her ability to develop and maintain a critical perspective and for her conceptual skill. She seems to operate with a networking point of view--seeing a number of people and ideas at once, and imagining how they do or could inter-relate. She is a no-nonsense manager in requiring top performance of anyone who wishes to stay in the organization and in insisting on strong financial control at every level of the organization. The president seems skilled at identifying and attracting able individuals for key administrative posts. Her energy and enthusiasm for life and for Enterprise are unparalleled, and they are immediately obvious in any conversation with her. Her verbal and persuasive skills can carry a group along with the point of view she is expressing, even when (as was the case in a faculty meeting some years ago) the group doesn't like the metaphor she has chosen for her ideas and is inherently skeptical of her plan. Finally, the president seems to have learned on the job how to select the manner of presentation that will be most compelling for the audience at hand, varying it as need be to improve her chance of winning support.

During the early years of this president's administration, when morale and optimism were low, members of the college community seem to have found the energy they needed in the president's batteries. She seems to have carried them through with her own momentum--much as the judge did during the crisis at Rally College.

It is worth noting that this president is oriented toward, and now spends most of her time with, constituents external to the college. She has never involved herself in academic matters except to get the adult degree program underway, to encourage development of the business management program, to ensure the competency of other top administrators, and to make sure that the budget was sound and under control. In all of these internal areas she has ensured quick responses to early warning signals, shifting plans as needed to avoid short-term problems that could become long-term. However, she has focused most of her attention on improving the membership of the Board of Trustees, and on building relationships with alumnae and corporate executives.

A college can identify and successfully establish a new constituency. For Enterprise, this constituency is corporate executives. The opportunity to attract them to Enterprise came primarily from personal connections of the president and her persuasive powers. However, through service as trustees and as visiting executives for the business management program, these new-found friends appear to have developed commitments to the college that may have long-term beneficial ramifications, lasting well beyond the tenure of the president who brought them on board.

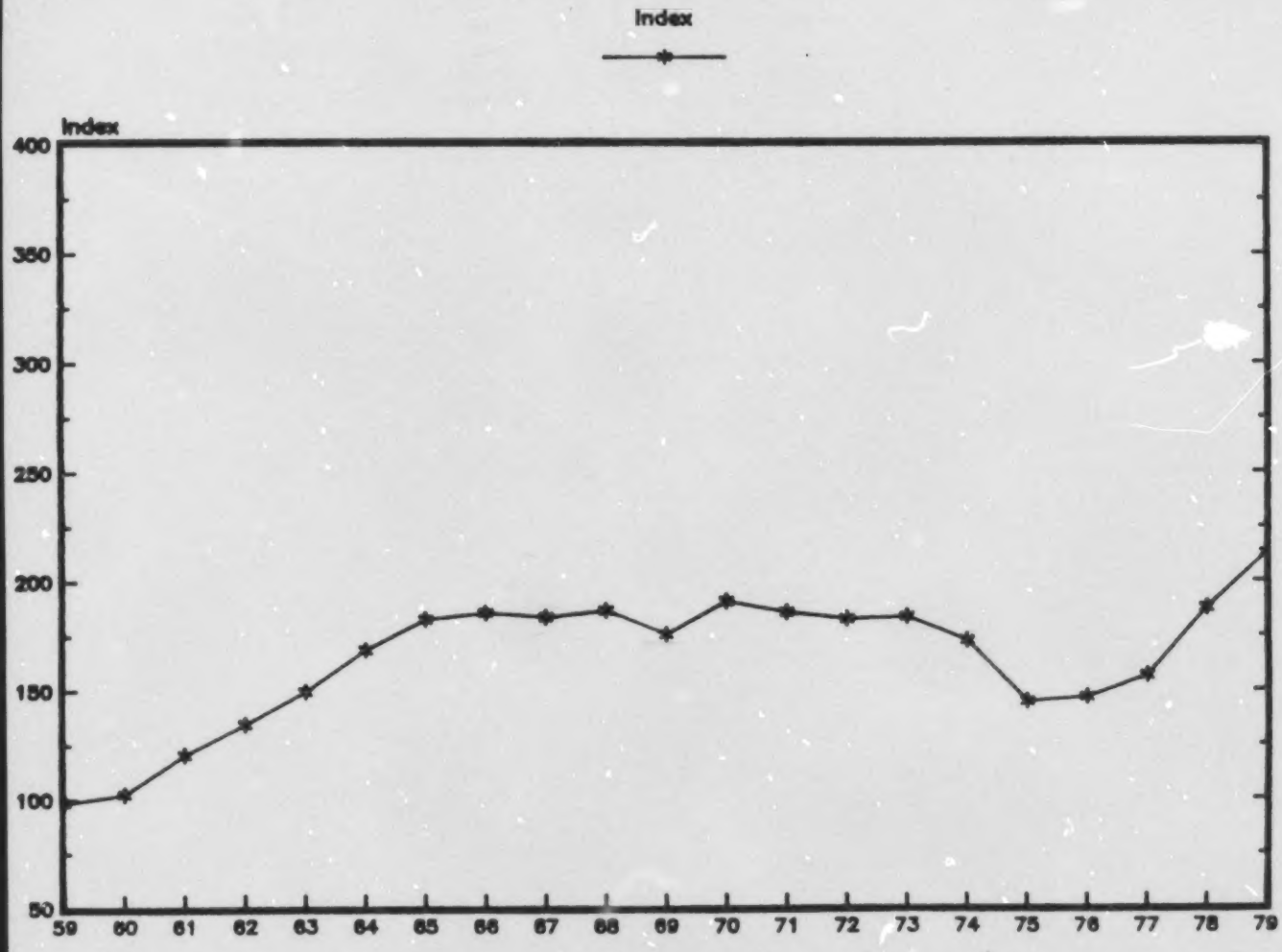
Recovering from adversity is made considerably easier when the college already enjoys wealthy friends and a selective reputation. Fund-raising is more expedient when alumnae have only to be identified and asked for gifts than when one must win over individuals who have minimal or no connections with the college, or when one must repair relationships that have been damaged by past college practices. Enjoying a selective reputation lends credibility to the approach that, as one respondent put it, "You are bailing out a successful institution, not performing euthanasia" when you give us money during a crisis. Furthermore, the pool of potential students is wider and deeper for a selective college than for one that is not selective. This permits temporary lowering of admissions

standards to keep enrollments up, rather than requiring massive infusions into the recruiting effort.

Business management can be added to the academic curriculum to attract students while also having favorable effects on the traditional liberal arts curriculum. Many liberal arts college faculty are leery of career-oriented programs. They may fear the effects of changing student interests on their livelihood and on their disciplines. At Enterprise, adding business management has aided enrollments in all fields by attracting students to the college while requiring coursework in the liberal arts. What seems to differentiate this effort from those of other colleges that are establishing career programs are (a) the slow, cautious development of the program, (b) oversight of its development by the faculty at large, (c) business faculty with strong traditional liberal arts backgrounds, and (d) dropping from the curriculum virtually none of the traditional fields of study.

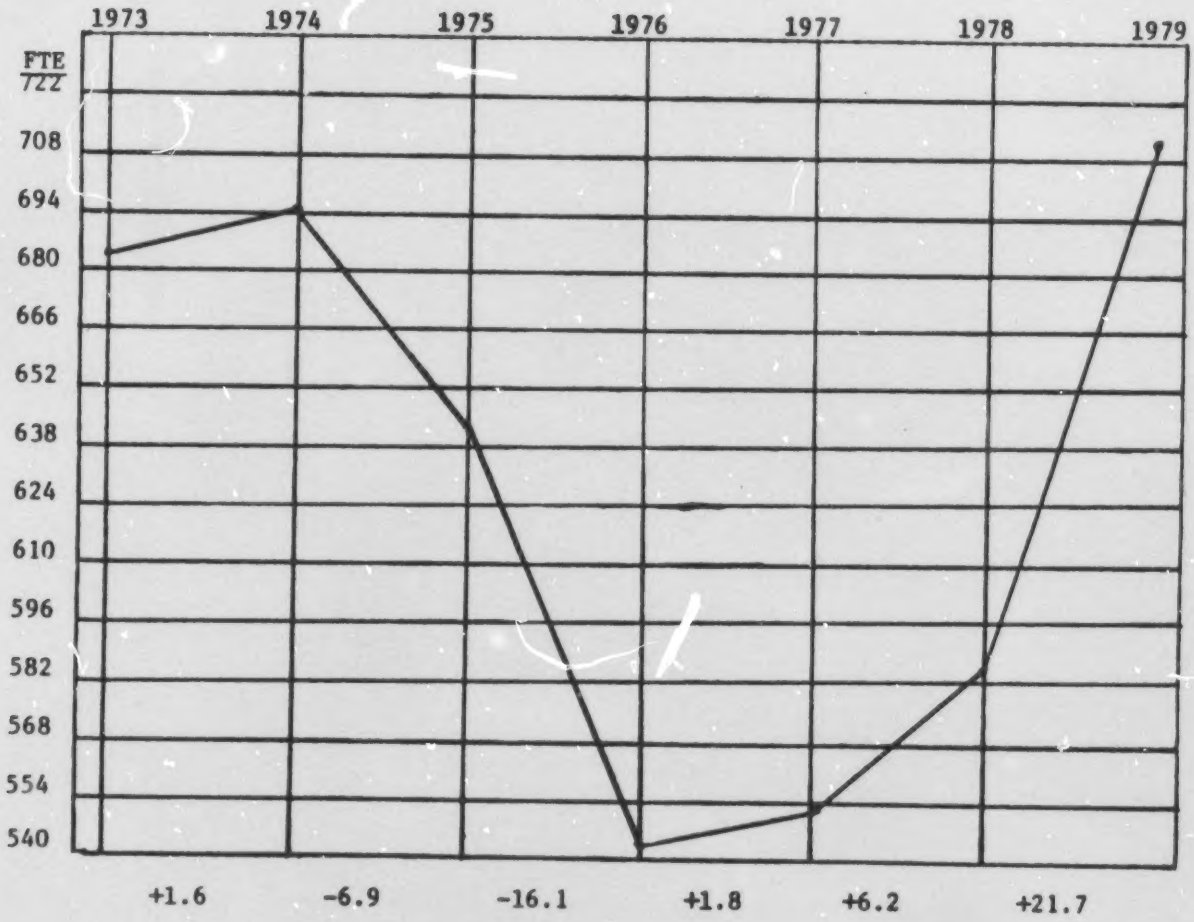
FIGURE 1C

Indexed* Headcount Enrollments (1959–1979)
Enterprise College



*index based on average of first two years data

Figure 2C. Enterprise College: Total Full-Time Equivalent Students by year 1973 - 1979



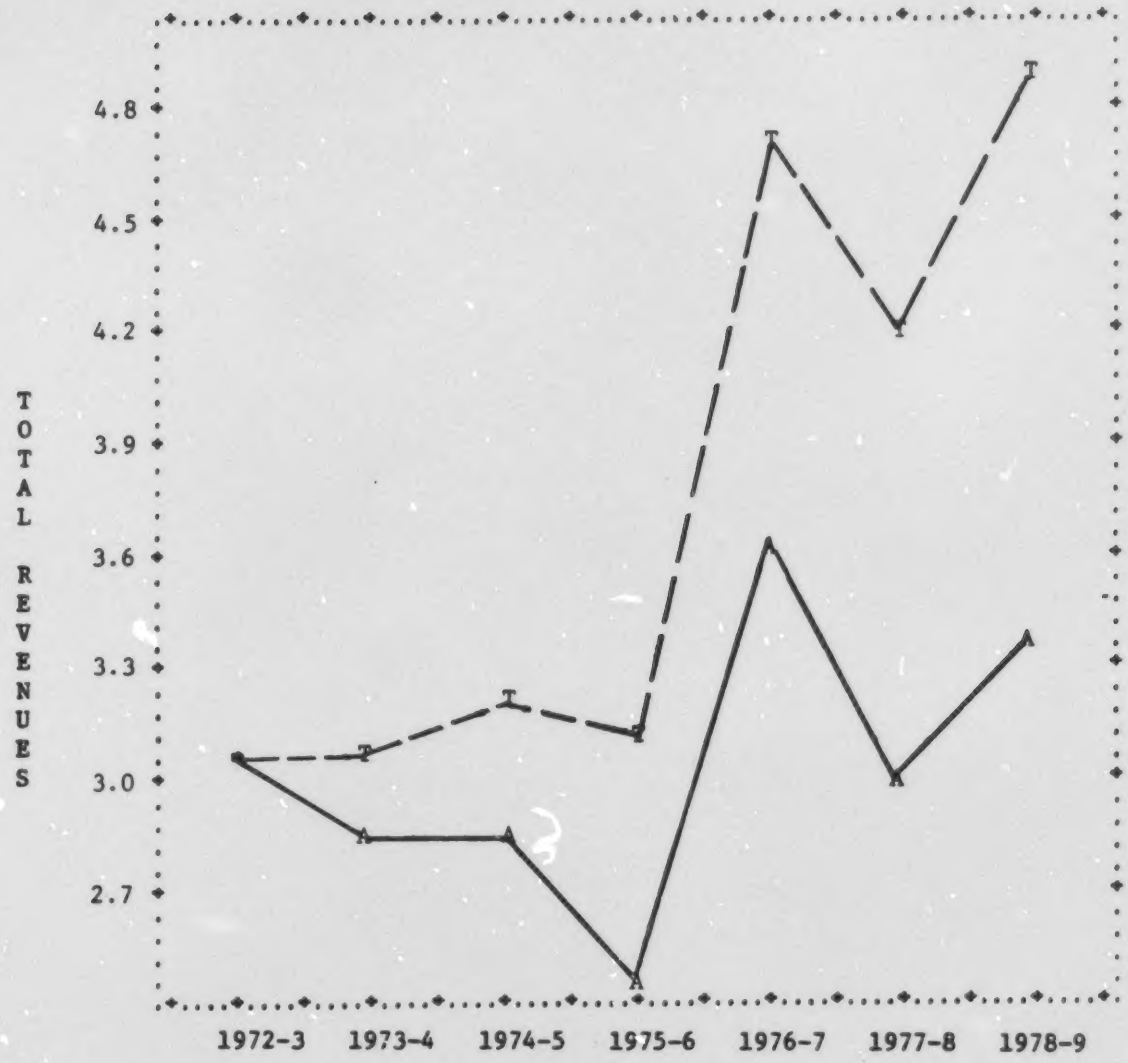


Figure 3C. Enterprise College: 1973 - 1979 Revenue Trends

T = Total revenues
A = Total revenues adjusted for inflation (HEPI)

Table 1C. Enterprise College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	1,874,943	0	0	66,555	253,150	794,140	2,988,798
73	1,990,474	0	0	53,915	231,521	813,264	3,089,174
74	1,967,596	0	0	74,144	216,552	789,907	3,048,199
75	1,977,713	0	38,067	89,293	370,284	790,909	3,266,266
76	1,859,050	0	38,067	89,293	370,284	754,668	3,111,362
77	1,970,385	0	165,385	111,868	1,578,792	857,624	4,684,054
78	2,115,094	0	316,999	131,790	610,253	1,014,941	4,189,077
79	2,357,920	0	481,169	167,736	711,091	1,263,170	4,981,086
80	2,728,058	0	623,659	222,745	667,013	1,625,710	5,867,185

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	922,034	0	0	342,684	868,917	NA	NA	NA	227,210	2,247,947	2,920,198
73	993,089	0	0	363,922	939,706	NA	NA	NA	236,044	2,370,290	3,066,149
74	999,173	0	0	328,154	936,528	NA	NA	NA	226,515	2,416,836	3,139,030
75	957,764	0	0	271,785	673,295	249,570	107,602	281,123	NA	2,705,041	3,271,474
76	900,298	0	0	288,092	713,692	264,544	114,058	264,255	NA	2,708,841	3,241,288
77	949,863	31,365	0	454,320	1,652,922	335,232	154,467	365,203	NA	4,133,153	4,587,066
78	969,897	28,233	0	545,623	1,109,838	467,477	64,738	339,816	NA	3,741,886	4,205,337
79	1,052,962	7,140	0	556,623	925,024	633,101	137,624	349,228	NA	4,503,220	4,990,025
80	1,289,422	0	0	770,215	1,169,130	758,202	240,688	435,779	NA	5,199,265	5,828,027

Table 2C. Enterprise College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	62.7	0.0	0.0	2.2	8.5	26.6
73	64.4	0.0	0.0	1.7	7.5	26.3
74	64.5	0.0	0.0	2.4	7.1	25.9
75	60.5	0.0	1.2	2.7	11.3	24.2
76	59.8	0.0	1.2	2.9	11.9	24.3
77	42.1	0.0	3.5	2.4	33.7	18.3
78	50.5	0.0	7.6	3.1	14.6	24.2
79	57.3	0.0	9.7	3.4	14.3	25.4
80	46.5	0.0	10.6	3.8	11.4	27.7
*$\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	31.6	0.0	0.0	11.7	29.8	NA	NA	NA	7.8	77.0
73	32.4	0.0	0.0	11.9	30.6	NA	NA	NA	7.7	77.3
74	31.8	0.0	0.0	10.5	29.8	NA	NA	NA	7.2	77.0
75	29.3	0.0	0.0	8.3	20.6	7.6	3.3	8.6	NA	82.7
76	27.8	0.0	0.0	8.9	22.0	8.2	3.5	8.2	NA	83.6
77	20.7	.7	0.0	9.9	36.0	7.3	3.4	8.0	NA	90.1
78	23.1	.7	0.0	13.0	26.4	11.1	1.5	8.1	NA	89.0
79	21.1	.1	0.0	11.2	18.5	12.7	2.8	7.0	NA	90.2
80	22.1	0.0	0.0	13.2	20.1	13.0	4.1	7.5	NA	89.2
*$\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

*$\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3C. Enterprise College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$2,914.31	$1,454.01	NA	NA	683
74	$2,835.15	$1,439.73	NA	NA	694
75	$3,061.48	$1,482.61	$386.33	$435.17	646
76	$3,429.98	$1,661.07	$488.09	$487.56	542
77	$3,569.54	$1,720.77	$607.30	$661.60	552
78	$3,609.38	$1,655.11	$797.74	$579.89	586
79	$3,307.04	$1,476.80	$887.94	$489.80	713
80	$3,427.21	$1,619.88	$952.52	$547.46	796

Table 4C. Enterprise College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue		Gifts Revenue		Endowment Revenue		Total Revenue		Total TOTFTE	
1971-72	$1,874,943		$253,160		$66,555		$2,988,798			
	100.0		100.0		100.0		100.0			
1972-73	$1,990,474		$231,521		$53,915		$3,089,174		683	
	106.2	6.2%	91.5	-8.5%	81.0	-19.0%	103.4	3.4%	100.0	
1973-74	$1,967,596		$216,552		$74,144		$3,048,199		694	
	104.9	-1.1%	85.5	-6.5%	111.4	37.5%	102.0	-1.3%	101.6	1.6%
1974-75	$1,977,713		$370,284		$89,293		$3,266,266		646	
	105.5	.5%	146.3	71.0%	134.2	20.4%	109.3	7.2%	94.6	-6.9%
1975-76	$1,859,050		$370,284		$89,293		$3,111,362		542	
	99.2	-6.0%	146.3	.0%	134.2	.0%	104.1	-4.7%	79.4	-16.1%
1976-77	$1,970,385		$1,578,792		$111,868		$4,604,054		552	
	105.1	6.0%	623.6	326.4%	168.1	25.3%	156.7	50.5%	80.8	1.8%
1977-78	$2,115,094		$610,253		$131,790		$4,189,877		586	
	112.8	7.3%	241.1	-61.3%	198.0	17.8%	140.2	-10.6%	85.8	6.2%
1978-79	$2,357,920		$711,091		$167,736		$4,981,086		713	
	125.8	11.5%	280.9	16.5%	252.0	27.3%	166.7	18.9%	104.4	21.7%
1979-80	$2,728,058		$667,013		$222,745		$5,867,185		796	
	145.5	15.7%	263.5	-6.3%	334.7	32.8%	196.3	17.8%	116.5	11.6%

Table 5C. Enterprise College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships& Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$2,247,947		$2,920,198	
	100.0		100.0		100.0	
1972-73	$0		$2,370,290		$3,066,149	
	.0	.0%	105.4	5.4%	105.0	5.0%
1973-74	$0		$2,416,836		$3,139,030	
	.0	.0%	107.5	2.0%	107.5	2.4%
1974-75	$249,570		$2,705,041		$3,271,474	
	.0	.0%	120.3	11.9%	112.0	4.2%
1975-76	$264,544		$2,708,841		$3,241,288	
	.0	6.0%	120.5	.1%	111.0	-.9%
1976-77	$335,232		$4,133,153		$4,587,066	
	.0	26.7%	183.9	52.6%	157.1	41.5%
1977-78	$467,477		$3,741,806		$4,205,337	
	.0	39.4%	166.5	-9.5%	144.0	-8.3%
1978-79	$633,101		$4,503,220		$4,990,825	
	.0	35.4%	200.3	20.3%	170.9	18.7%
1979-80	$758,202		$5,199,265		$5,828,827	
	.0	19.8%	231.3	15.5%	199.6	16.8%

Table 6C. Enterprise College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr	Market Value Beg of Yr	Book Value End of Yr	Market Value End of Yr	Yield
1971-72	$2,335,709 100.0	$2,545,453 100.0	$2,382,860 100.0	$2,792,675 100.0	$82,538 100.0
1972-73	$2,382,860 102.0 2.0%	$2,792,675 109.7 9.7%	$2,501,053 105.0 5.0%	$2,484,898 89.0 -11.0%	$80,350 97.3 -2.7%
1973-74	$2,501,053 107.1 5.0%	$0 .0 -100.0%	$2,754,570 115.6 10.1%	$0 .0 -100.0%	$110,282 133.6 37.3%
1974-75	$1,950,092 83.5 -22.0%	$1,790,500 70.3 .0%	$1,961,006 82.3 -28.8%	$2,087,780 74.8 .0%	$89,293 108.2 -19.0%
1975-76	$1,961,006 84.0 .6%	$2,087,780 82.0 16.6%	$1,961,006 82.3 .0%	$2,087,780 74.8 .0%	$89,293 108.2 .0%
1976-77	$2,160,486 92.5 10.2%	$2,421,108 95.1 16.0%	$2,736,353 114.8 39.5%	$2,646,589 94.8 26.8%	$111,868 135.5 25.3%
1977-78	$2,736,353 117.2 26.7%	$2,646,589 104.0 9.3%	$3,017,135 126.6 10.3%	$2,851,559 102.1 7.7%	$117,209 142.0 4.8%
1978-79	$3,017,135 129.2 10.3%	$2,851,559 112.0 7.7%	$3,346,119 140.4 10.9%	$3,401,389 121.8 19.3%	$162,209 196.5 38.4%
1979-80	$3,346,119 143.3 10.9%	$3,401,389 133.6 19.3%	$5,644,568 236.9 68.7%	$6,281,751 224.9 84.7%	$224,244 271.7 38.2%

Table 7C. Enterprise College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr		Additional Borrowed		Payments Made		Balance Owed End of Yr		Interest Payments	
1971-72	$3,133,252		$52,665		$151,675					
	100.0		100.0		100.0					
1972-73	$3,078,287		$0		$147,804					
	98.2	-1.8%	.0	-100.0%	97.4	-2.6%				
1973-74	$2,930,483		$83,034		$101,607					
	93.5	-4.8%	157.7	.0%	67.0	-31.3%				
1974-75	$2,911,910		$1,476		$87,097		$2,826,289		$83,307	
	92.9	-.6%	2.8	-98.2%	57.4	-14.3%	100.0		100.0	
1975-76	$2,826,289		$0		$87,097		$2,739,192		$81,962	
	90.2	-2.9%	.0	-100.0%	57.4	.0%	96.9	-3.1%	98.4	-1.6%
1976-77	$2,768,343		$100,000		$98,221		$2,770,142		$103,945	
	88.4	-2.0%	189.9	.0%	64.8	12.8%	98.0	1.1%	124.8	26.9%
1977-78	$2,770,142		$0		$375,195		$2,394,947		$89,714	
	88.4	.1%	.0	-100.0%	247.4	282.0%	84.7	-13.5%	107.7	-13.7%
1978-79	$2,394,947		$0		$186,947		$2,208,000		$76,312	
	76.4	-13.5%	.0	.0%	123.3	-50.2%	78.1	-7.8%	91.6	-14.9%
1979-80	$2,208,000		$0		$71,000		$2,137,000		$71,244	
	70.5	-7.8%	.0	.0%	46.8	-62.0%	75.6	-3.2%	85.5	-6.6%

PROPHET COLLEGE

PROFILE

Location:	Rural, Northeast
Type:	Liberal Arts II, Independent 1981: affiliated with tech university in another state
1982 enrollment:	645 full-time, 215 part-time (estimated)
Date founded:	1962
1981 cost:	$6,305 (tuition, room, and board)

The Story of Prophet College

In 1962, a small group of men, led by the judge who would be Prophet's president until 1981, obtained a charter from the state, purchased a site, and admitted the first students to Prophet College. The 400-acre site had once been a mill village, then an estate, 5 miles from a very small town, 25 miles from the nearest large town, and 100 miles from an urban center. During the 1960s, more land was acquired to a current total of 800 acres, mostly wooded hills.

Prophet was founded as a "second chance" liberal arts college. During the 1970s, it added heavy emphasis on career programs. In 1981 the founding president stepped down and the college affiliated with a technical university in another state.

Branch campuses. Prophet owns no educational facilities except an airport off the main campus, but since 1975, it has had numerous evening extension programs--most of them held in public schools and other low-cost facilities. These programs are now available in nine locations within about 80 miles of the college.

Competition. Prophet is located in a region that hosts a large number of private colleges, some of which closed during the 1970s. But their missions differ so greatly that for the most part these colleges are not in direct competition for students. For its residence program, now focused intensely on aviation-related areas, Prophet has one competitor in the region. For extension, it competes with diverse private and public colleges in the state. As Prophet changes its programs in accord with its new affiliate school, its competition may also change.

Enrollments and Students

Prophet opened in 1962 with 119 students. By 1966, when it began reporting enrollments to the federal government, it had 496 students (figure 1D). Enrollment continued to climb to its first peak in 1970 at 843 students, declined steadily to a 1974 low of 559, and then rose again to 1,444 (1,001 FTE) by 1977--over 900 of them being part-time students.

Enrollments have again declined from the 1977 peak. Until this year, when on-campus students dropped to 370, resident enrollment had held at about 500. Part-time students have continued to decline from the 1977 peak, numbering a reported 760 in 1979 and an estimated 485 in 1982.

Students. When Prophet opened, it appealed greatly to a number of students wishing to avoid the draft. When the draft ended, Prophet's administrators tried appealing to international students (at one point an estimated 20% of total enrollments) and to adult students--especially veterans with military benefits, at first. Prophet also turned its flight training, available since 1965, into an aviation degree program. Aviation students accounted for 25% of the student body in 1972. By 1981 that figure was up to 85%.

Between the draft and the aviation program, Prophet's students have been disproportionately male. Most of them come from large urban areas throughout the Northeast. The quaint and quiet surroundings of Prophet are a novelty for many of them, and some decide to return to more populous areas before they finish their first year at Prophet. One person estimated the proportion of students who graduate in four years to be 17%.

For some years, students were allowed to pay college bills with promissory notes. In 1977 student receivables stood at $320,000. The philosophy of the administration at that time reportedly was that it would rather have half of a pie and a chance to collect the other half than to have no pie at all. During that period, the college had six financial aid officers in seven years, none of them with training or experience in the area. One respondent believes that students might have benefited far more from federal student aid than they did, had the financial aid function been adequately staffed. The college never penalized non-paying students, and some are said to have spent a year at Prophet and left without paying the college at all. The new administration is in the process of changing student billing and payment policies to a more typical arrangement, prepared to lose some students in the process.

Similarly, in the previous administration the academic standards committee (composed entirely of administrators) rarely dismissed students for academic reasons. Keeping the number of students enrolled as high as possible was a critical priority then.

Student life. Apparently during the 1960s the president hosted many special occasions for students, such as barbeques, field days, and even recreational trips for student staff members. From the end of the 1960s until the 1981 change of administrations, however, the administration invested very little in student welfare. Students began to feel that they were not receiving the value of their investment in the college, from dorm furnishings and upkeep, to food, to regulation. In the early 1970s a group of students "stormed" a faculty meeting to complain about the residence hall staff and ask for an inquiry into alleged beatings and trumped-up drug charges. The faculty found substance in the claims and reported it. The Dean of Students, a personal friend of the president, was promoted to Dean of Administration, where he served thereafter (until 1981) as the president's personal representative on campus.

Student recreation consists primarily of outdoor winter sports and going to the city on weekends. The many aviation students tend to be dedicated to flying, spending any spare time at the airport or in other aviation pursuits.

Faculty, Administrators, and Others

The predominant theme for the 1962-81 administration was arbitrariness and divisiveness. The president and his close associates made all decisions without consultation. This has changed dramatically under the new administration.

Faculty. The first chancellor of the college is credited with attracting a number of strong faculty members with excellent credentials from prestigious universities in the region. They seem not to have stayed long, for by 1970 it was necessary to "beef up" the faculty in preparation for Prophet's first accreditation review. Most of these new faculty members were let go within a couple of years because, the president said, the college had to economize. In 1973 ten faculty were let go and discussion about collective bargaining began. In 1974--before a vote on unionization--eighteen of the 35 faculty members were let go, sparing only two of the faculty who had publicly favored collective bargaining. The president is reported to have said that he would close the college before permitting a union. At that point, the college began to use part-time faculty. Now, supplemented by part-time faculty in extension, part-timers are far more numerous than full-time faculty, who totalled eleven in 1982.

Faculty cuts, which continued during the 1970s and are said to have demoralized the faculty, were made administratively easier by the fact that Prophet does not grant tenure. All are on one-year contracts, even those who have been with the college since it opened.

Salaries are very low, averaging about $15,000, and raises have been small, especially from 1979-81. When other small colleges in the region were closing in the 1970s, the faculty are said to have taken pride in surviving and to have settled for low salaries as their contribution to survival.

Throughout the 1970s, the administrative position that everything depended upon student enrollments fostered competition for students among the faculty. This position seems to have been based on the premise that if all faculty members are scrambling for students, the result will be high enrollments. However, the pool of students traditionally attracted to Prophet (particularly those avoiding the draft) had dwindled or disappeared, and the faculty ended up competing against each other for students already enrolled. Morale, communication, and cooperation declined.

Predictably, turnover among faculty--whether voluntary or induced--has been high. Those who have stayed seem to do so because they are committed to the area, because they have little or no option to teach elsewhere, and because they love to teach.

Administrators. Understanding Prophet's administration from 1962 to 1981 requires particular attention to the role and character of its president during those years. We'll call him President Charter, since the college was his idea.

Although Charter's profession is the law, his primary orientation throughout all of his career seems to have been entrepreneurship. His business interests are now international in scope. His headquarters and home are in a small city about 40 miles from Prophet, and he has never lived closer to the campus than that. He also kept the business offices of the college in his hometown. Announcements of his decisions were prefaced on campus not by his name, but that of his city--not "Charter says . . .," but "Smithville says . . . ." Charter is said to have

referred to Prophet as "my school," and to have thought of himself as the owner of the college.

Charter is described variously by college personnel as "imperious," "a walking bundle of moods," "a genius--everything he does turns to money," and one who used the college for his ego, for a tax shelter, and for personal gain. As noted above, Charter seems to have had only one priority when it came to academic affairs--enrolling as many students as possible. He is said to have stated that any faculty member who showed that sufficient student interest existed--among current, not potential, students--could start a new program. Except to note the flow of enrollments and to announce new program priorities (in 1978, they were to be aviation first, business management second, and all else a distant third) and new programs (extension in 1975), Charter took no apparent interest in academic matters.

He preferred to stall reactions to student complaints, claiming that the students would forget about them. Once Charter taught a class at the college, but missed a number of classes because of his other interests. When the students complained, Charter reportedly gave them all A's, expecting that to satisfy them.

From 1973 until 1981, Charter's personal representative on campus was the Dean of Administration, who had been the Dean of Students during the most strenuous student complaints. He was commonly characterized on campus as Charter's henchman, and their arrangement was termed "governance by remote control." Decisions were announced as faits accomplis, with no consultation beyond the president's inner circle. Department heads submitted budget requests, but believed that they were never read. On at least one matter, Charter was not above lying. Although several of those interviewed believed that Prophet had no capital debt, because Charter had said so on more than one occasion, examination of the books years later reveals that in the early 1970s Prophet took an $800,000 mortgage on all land and buildings in order to complete the financing for the new library and two new residence halls.

Under the circumstances, it may come as no surprise to find high turnover among administrators who were not part of Charter's inner circle. During his administration, Prophet is said to have had twelve registrars, five academic deans, many admissions officers, and six or more financial aid officers--although this may well have been an exaggerated perception. If those who served in those roles in 1977 are representative, these officials rarely had either training or previous experience in their offices. Communication among them is said to have been so poor that fresh orders went in every year for a certain form which piled up in storage because long ago it had been replaced with a new form.

The admissions office was singled out for a number of comments by respondents. At some point in college history, admissions personnel typically flew first class on their recruiting trips. One of the admissions directors had been in charge of admissions for nine years at a college that closed for lack of enrollment immediately before he came to Prophet. Most of the recommendations of an admissions consultant in 1976 went unimplemented, apparently because they would have cost money. Admissions representatives seem to have told potential students anything they wanted to hear. One respondent said in astonishment that a recruiter had told students that Prophet had a swimming pool. More commonly, recruiters promised students any program they were interested in. As one person pointed out, they had some basis for the promise since the

philosophy of the administration was to offer any program for which enough students could be found. But students often left because they did not find what they had been promised.

The individual who was directing the admissions office in December of 1980 resigned suddenly. The following April, Charter announced his resignation and Prophet's affiliation with a technical college in another state. Perhaps because these changes were under discussion, the admissions directorship was vacant for the most important nine months of the recruiting season. Respondents point to this vacancy and the turmoil about college direction that accompanied the affiliation announcement as major factors in the low resident enrollment for 1981-82.

Within a month of the affiliation announcement, nearly all administrative positions changed incumbents except for the academic dean. The new president was a physicist, well-known in his field, who quickly gained the confidence and trust of those who remained at Prophet. He lived on campus and began to offer the college a sense of purpose. In consultation with leaders of the affiliate college, he continued the emphasis on aviation and business and began to explore computer science and other technical fields. Department heads began to feel involved with the budget process. Less than one month after our visit in the spring of 1982, however, he had been replaced by an associate vice-president of the affiliate college. The 1981-82 operating deficit was projected at $300,000. The feeling was that the president might have proved excellent in the long run, but the college couldn't afford time for him to learn the job there.

Trustees. From 1962 to 1981, the board of trustees was composed of the president and eight others who seem to have been his friends. They are said to have met seldom and in secret. One trustee donated an estimated one-fourth of the cost of the library, which is named for him.

Constituents. Respondents were aware of virtually no efforts to develop college constituencies other than potential students. Prophet has had no development office, no alumni program. During the 1970s, the college developed a bad reputation in the local community for its past due accounts. Charter is said to have given a number of honorary Prophet degrees in the mid-1970s in the hope of eliciting major gifts. Gift revenues have not increased.

Academic Programs

As enrollment declined after the draft ended, Prophet made a number of program changes. In 1973, it started offering associate degrees in existing programs. In 1974, it joined a regional consortium, giving its students access to the resources of a number of other colleges. In 1975, Prophet moved quickly and widely into extension courses, soon in twelve area towns, now in nine. This last move was the most important in keeping the college afloat--part-time and full-time evening students quickly outnumbered resident students, replacing the losses on campus. Courses are taught at low salary rates by adjunct faculty and some resident faculty on an overload basis. Respondents expressed no concern about the quality of adjunct faculty, many of whom are employed in the subject areas they teach. Courses are taught in low-cost rented facilities and, although the campus library is open to extension students, most library work appears to be done in other places. Course scheduling and

regulations are designed to be convenient for working adults, with ten class hours per week constituting full-time status.

As for the resident program, many liberal arts areas were dropped for lack of enrollment between 1973 and 1977: theater, foreign languages, art, teacher education, music, and economics. In 1978, Charter stated that all college resources would be channelled first into aviation, second into business, and third into all other programs. Aviation and business, he is said to have announced, were to carry the school. Aviation has been so successful that Prophet was called a "one-program school" for a while. Now, respondents are concerned about fluctuations in employment opportunities for pilots, about increasing competition for students in aviation, and the high cost of flight training for which students cannot receive federal student aid. Furthermore, although the college owns 21 airplanes and six flight simulators, the large number of aviation students is stretching the capacity of the college to provide enough flight time.

Collectively, such program changes were labelled by one respondent as "a bread and circuses" response to decline. Current program development is in computer science and recreation management. These are expected to join aeronautics and business administration as the primary programs of the college.

Planning

All planning was the sole prerogative of President Charter during his administration. He was not available for interviewing, but planning during that period was described by one respondent as "lurching from one crisis to another." The college has had no institutional research function. Recent changes in administration may lead to some planning process, but one has not yet materialized.

Financial Situation

A true picture of Prophet's financial affairs during the Charter administration may be impossible to present. Finances were handled off campus in the president's hometown, and they were not shared beyond a tight inner circle. Prophet data were submitted to the federal government and a financial report included in a 1977 self-study document, but we have reason to believe that they may not be true and complete accounts. We present these data with that caveat.

Total revenues, graphed in figure 3D, declined from 1973 to 1976, more than doubled with the successful extension program in 1977, and stayed at about that level for the next two years. In 1980, total revenues moved from $3 million to $3.7 million. Tuition, room, and board account for nearly all revenue. Total expenditures exceeded total revenues during the 1970s in four years: 1974, 1975, 1976, and 1979.

Operating budget. Prophet has made many efforts to conserve energy, which is particularly important to them because they had been using oil and because their winter weather is severe. Furnaces are in the process of conversion to coal. They also bought a WATS line and centralized control of long-distance telephoning in 1973. Together with keeping faculty salaries low and using relatively inexpensive part-time faculty, these appear to have been the means by which Prophet has kept expenses

down. By one account, deferred maintenance had been a serious problem at times, by another it had not.

Capital. As far as we can tell, the land, building renovations, new construction, equipment, and perhaps even some of the airplanes have been financed primarily out of the operating budget--that is, in this case, out of tuition, room, and board. President Charter refused to borrow government funds, claiming that he objected to the specifications with which they would have to comply. The only debt we were able to uncover was an $800,000 bank loan to cover the construction of the library (that portion which was not donated) and two residence halls in the early 1970s. College records have shown virtually no gift income since 1972, and the endowment value has been constant at about $50,000. Given typical college financing sources, that leaves the students as the primary source of capital revenue. It also suggests that the college had no buffer against enrollment decline except its unused woodland acreage. That land, beautiful as it is, is so remote that its value and the ability of the college to sell it are probably relatively low. About five or six years ago, the college did sell some lumber off its land, but even that is difficult because the terrain is rugged so the lumber is not readily accessible.

The $800,000 bank loan showed in a self-study as having been whittled down to $8,000 by 1977. What did not show in that account was that the reduction was achieved not by paying off the loan but by amortizing the plant. As of 1981, the college still owed $800,000.

Perceived financial condition. At the time of our visit, respondents were either cautiously optimistic or skeptical about the prospects for the college under the new administration. They tended to feel that its condition may have eroded so badly by the time it affiliated and changed leadership that it may be too late to recover. Respondents were almost unanimous in feeling that the affiliation was a positive step and in believing that the college had already survived in spite of itself . . . so perhaps it would continue to do so.

Commentary on Prophet College

Prophet's history is probably so unusual that much of what we can learn from it may be too elementary or too case-specific to prove helpful in guiding other college decisionmakers. Nonetheless, Prophet may be useful in verifying the validity of standard lore about how a college should be run by showing what happens when that lore is not applied.

Causes of College Problems

Essentially, Prophet was an extremely enrollment-dependent college whose market dried up when the draft ended. It had been founded on a premise that proved short-term: that then-current draft policy would continue. Apparently believing that students would put up with almost anything in order to continue their study at Prophet--the advantages being that Prophet kept them out of the military and was undemanding both in admissions and in academic standards--administrators invested very little capital or energy in the college after the first few years. Prophet did

not become the kind of college students wanted to attend, draft or no draft. The responses made by the college to this initial problem kept it open, but did not serve as solutions in the long run.

College Response to Decline

All administrative and academic responses to enrollment decline focused on students as the sole source of revenue and on keeping expenditures low. Enrollment efforts consisted of opportunistic search for pockets of students--international, extension, and aviation. The extension program was most helpful overall and the aviation program was most instrumental for resident enrollment. Faculty members were set in competition with one another for students, by administrative policy. Students were attracted to the extension program in part because the courses offered met their needs, but Prophet's competitive advantage in extension was that it was structured to allow full-time work concurrent with full-time study. Extension students who were eligible for veteran's or employer's benefits thus took no financial loss--and may have gained financially--from studying through Prophet. Meanwhile, expenditures for both residence and extension programs were kept extremely low, especially faculty salaries and student services.

None of these changes produced a long-term solution. Finally President Charter took the opportunity to turn the reins over to the administration of a technical college. In addition to freeing himself from the mounting problems at Prophet in order to attend to his other interests, Charter is said to have been pensioned through the affiliation at an enormous sum--$1.2 million over ten years was the figure we heard. We did not talk with technical college representatives to learn directly why they were interested in Prophet. We heard that they wanted a presence in Prophet's region, which looks as if it will become another center for the electronics industry. The technical college also got a good deal of capital asset with relatively low indebtedness. It appears to be bent on using the campus for educational purposes, but clearly Prophet will no longer be the liberal arts college it was originally intended to be.

The Lessons in Prophet's Experience

Exploitation might serve individual purposes, and an exploitative administration might keep a college in business for many years, but the college and many of its people will pay high costs for it. It was at Prophet that we began thinking in terms of what may be a new phrase--deferred maintenance of human capital. True, faculty members have been subsidizing the difficulties of most colleges in the 1970s, as comparing their salaries with inflation readily shows, but subsidy took on new meaning at Prophet. Well-qualified individuals were used unconscionably as tools for securing accreditation, then tossed aside. Loyal people who love to teach might be permitted to stay if they didn't rock the president's boat, but they'd have to teach for the love of it because they wouldn't be paid much at all. Furthermore, the situation was structured to allow them very little collective solace because it pitted them against each other in battles for students. Some of them remarked that they would just like a pat on the back once in awhile for their efforts.

Students had a little more latitude than faculty to leave, and leave they did when external incentives to stay disappeared. While at Prophet, they put up with having been deceived about programs that would be available to them, with substandard residence amenities, occasionally with administrative abuses, and, toward the end, with a faculty that was largely demoralized.

By the time of the affiliation with the technical college, the institution itself was showing the signs of having been exploited. Full-time faculty were down to eleven, community people were fed up with past due accounts, the strongest residence programs were in difficulty, enrollments were down, and--perhaps most serious in its long-term implications--the mission of the college was in a shambles. We had the feeling that unless the new administration is quick, clear, and decisive in setting out Prophet's mission, problems would continue and multiply. It appears that Prophet will either die or, as Rally College was, be given a "second founding."

An administration that neither understands nor communicates with the academic side of the college cannot hope to run the college well. We had the impression that President Charter, whose business successes over the years have been substantial, believed that he could run a college like a business. However, Prophet was neither a well-run business nor a well-run college during its first administration. Good relations between business officers and academics might have ameliorated both problems.

Evidence for poor business administration of the college is plentiful. Accounting practices were deceptive and manipulative. Only one potential source of revenue was developed--students. All other sources received half-hearted or no attention. That single source of revenue was extended unlimited credit, and debts in that area remained uncollected. No internal reporting and communication systems were used among middle managers, with faculty, or between top administrators and others in the college. Middle managers, and even top administrators, were often hired and promoted without regard to the adequacy or relevance of their experience and training--apparently solely for their loyalty to the president or the low salaries they would accept. Inventories of college property were never taken.

Without understanding or communicating with the academic side, administrators made a number of serious errors based on faulty premises about how an academic institution works. They set the faculty in competition for students almost as if they saw the faculty as salespeople, out to sell the most product. They didn't seem to realize that (a) faculty were often asked to develop a product they may not have envisioned after a sale had been made (the student was enrolled) and (b) the faculty, in a sense, are the product--they have neither the interest nor the opportunity to make outside sales. One of the consequences was proliferation of courses--faculty would offer everything they could in order to appear attractive to students. Course proliferation, with inevitable small enrollments and over-extended faculty, turns out to be highly uneconomical.

Complete degree programs, offered in extension mode, can also get extremely expensive, especially in upper division courses. The college might have fifty business majors, but if they are the only ones taking advanced courses and if they are spread out in nine locations, that leaves only five or six students per instructor.

The costs of errors in judgment such as these are not only financial, they are human. Mutual mistrust within the college was high. So is the likely ratio of unsatisfied alumni to satisfied alumni. And surely a fundamental aspect of running a college well is the ethical premise that participants in the college experience should prosper intellectually and in spirit. We saw mostly people who had given of their own resources to the extent that they had little left except a thread of hope.

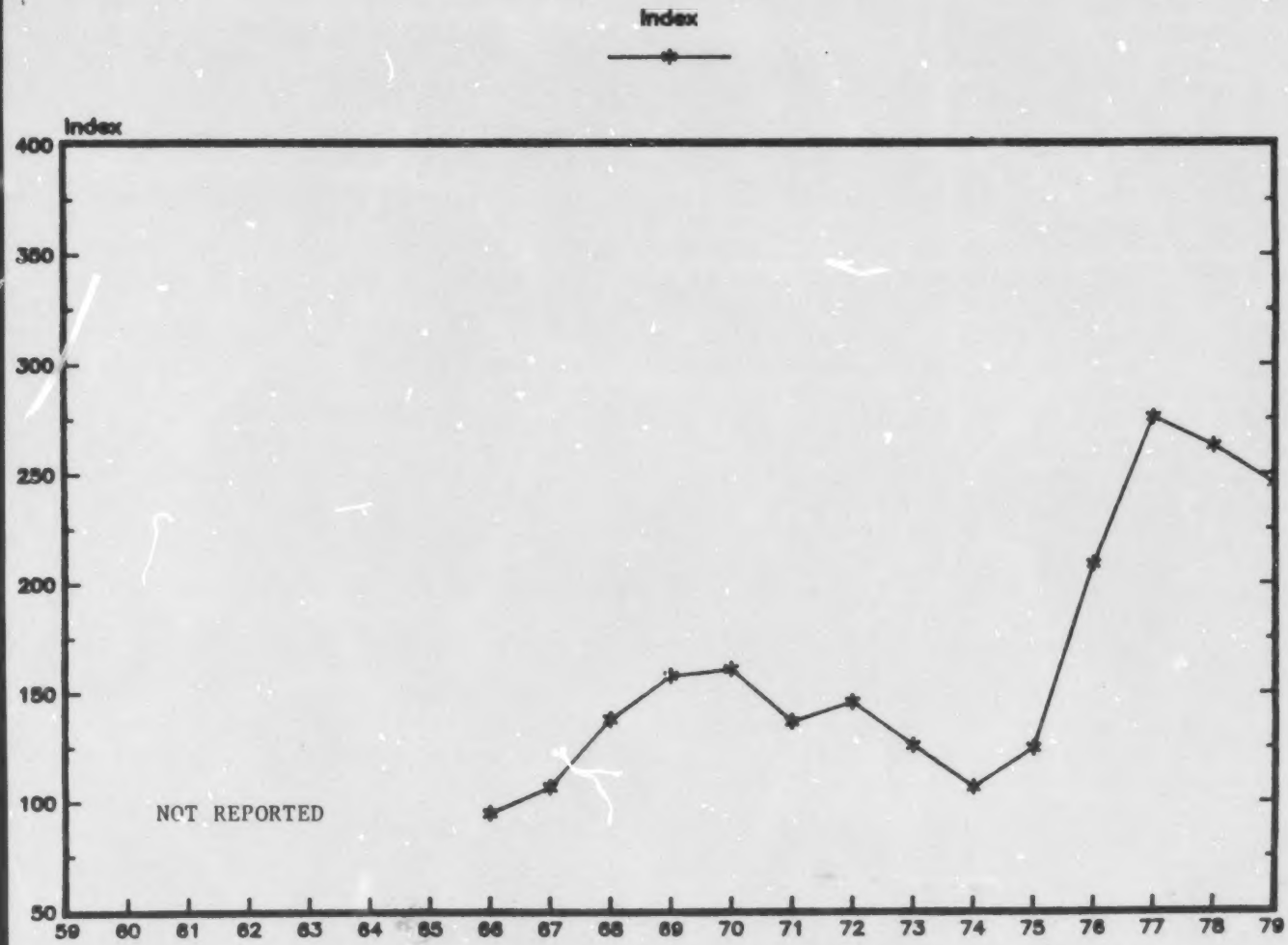
A college needs a clear, reasonably constant, sense of mission. With the 1978 shift to aviation and business, Prophet changed direction away from the liberal arts. It did not change staff appreciably, nor did it change to a new vision of itself--it only emphasized two specific programs. Without those accompanying changes, the faculty were left with little sense of what they were to do or how. The admissions people, although they apparently never portrayed the identity of the college well, were left with a small sample case of programs, not a sense of what Prophet was and would provide them other than a major. It is easy to imagine that many potential students might have seen no reason to attend Prophet unless they wanted to fly.

A college may not be able to recover from enrollment decline by focusing solely on programs intended to attract more students. Prophet's efforts depended heavily on programs, specifically aviation and extension. Contrasted with the successful recoveries at Rally, Enterprise, and others, which were multi-faceted efforts, Prophet's were mono-faceted. It continues to attract no "unearned" income from gifts and endowment. It continues to seek no government or foundation grants. Until recently, it retained the same leadership it had always had. Prophet's affiliation with the technical college has given it new leadership and some temporary financial relief, but it is too soon to assess the scope or success of the change.

FIGURE 1D

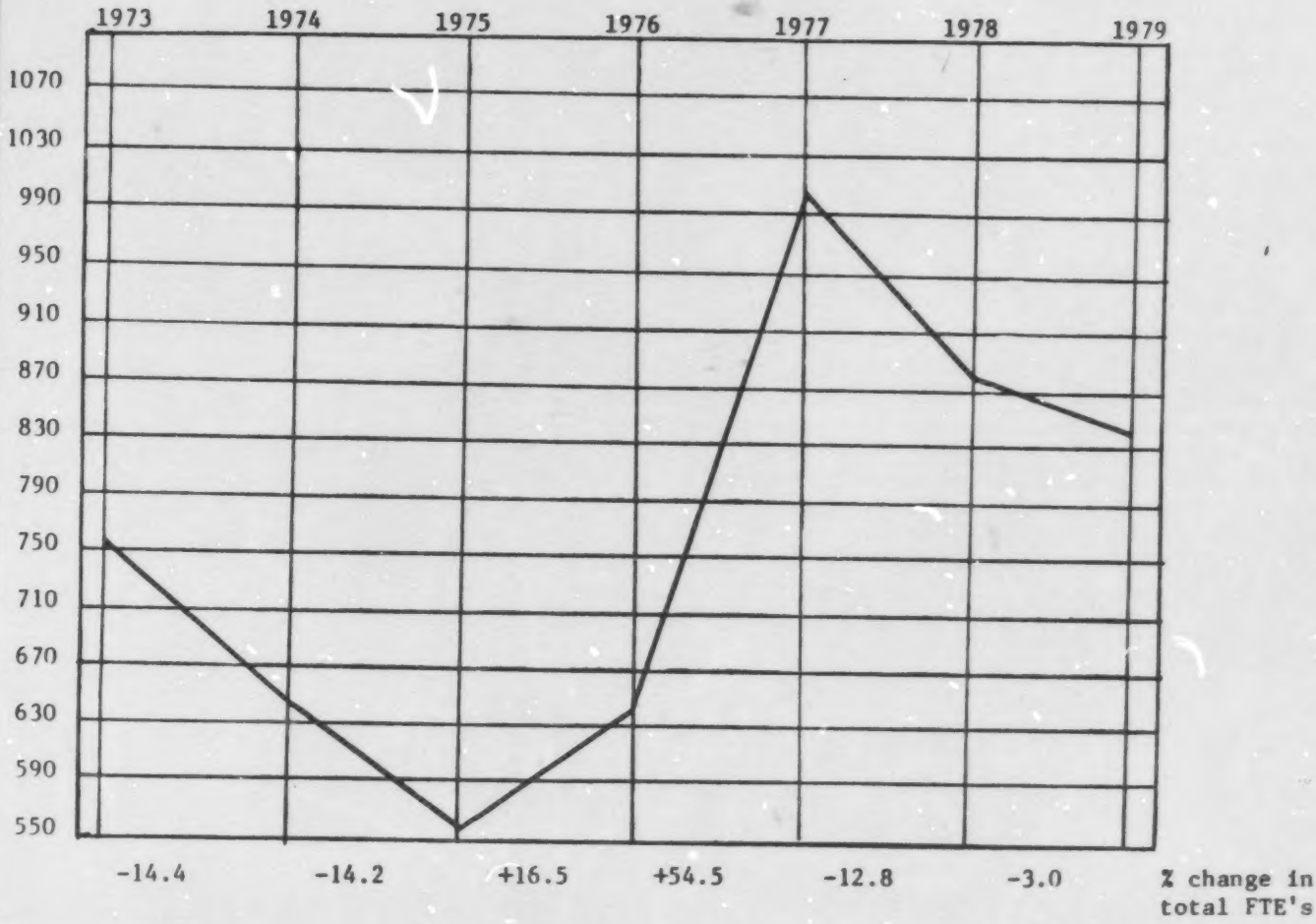
Indexed* Headcount Enrollments (1959–1979)

Prophet College



*Index based on average of first two years data

Figure 2D. Prophet College: Total Full-Time Equivalent Students by year 1973-1979



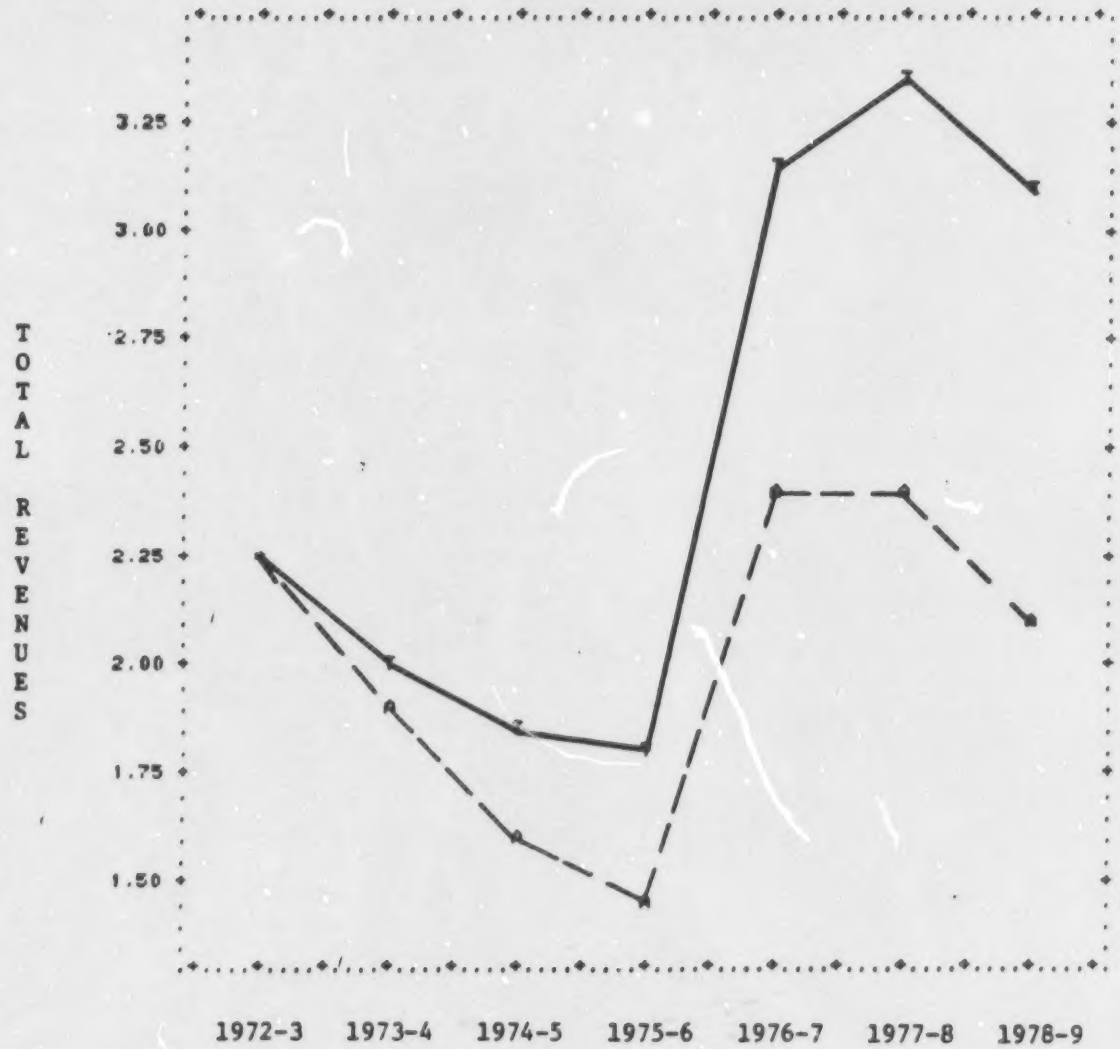


Figure 3D. Prophet College 1973-1979 Revenue Trends

T = Total revenues
A = Total revenues adjusted for inflation (HEPI)

Table 1D. Prophet College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants & Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	1,421,284	0	0	0	34,358	568,410	2,024,052
73	1,563,412	0	0	0	37,794	625,251	2,226,457
74	1,380,841	0	0	0	40,884	558,309	1,980,034
75	1,283,415	0	53,582	0	38,854	449,624	1,825,475
76	1,257,746	0	53,582	0	38,854	440,631	1,790,813
77	2,578,462	0	68,058	0	34,519	464,079	3,145,118
78	2,896,371	0	0	0	18,166	431,820	3,346,357
79	2,667,412	0	0	0	16,473	394,589	3,078,474
80	3,204,283	0	0	0	32,675	471,331	3,708,289

74

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	1,082,657	0	0	215,142	0	NA	NA	NA	148,695	1,568,383	1,929,133
73	1,190,923	0	0	236,656	0	NA	NA	NA	163,564	1,725,221	2,122,046
74	1,192,443	0	0	193,239	225	NA	NA	NA	245,548	1,560,038	2,069,162
75	1,021,896	0	0	365,569	87,498	152,018	67,895	102,888	NA	1,797,764	2,087,045
76	1,001,458	0	0	387,503	92,747	161,139	71,968	10C,830	NA	1,815,645	2,099,140
77	1,773,026	0	0	264,563	112,067	175,792	75,566	114,347	NA	2,515,361	2,862,870
78	1,846,275	0	0	284,022	124,556	162,612	80,306	128,029	NA	2,625,800	2,963,848
79	2,243,057	0	0	288,833	0	183,042	0	105,144	NA	2,820,076	3,349,903
80	2,028,569	0	0	327,405	142,634	186,738	92,825	144,272	NA	2,922,443	3,518,502

77

78

Table 2D. Prophet College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	70.2	0.0	0.0	0.0	1.7	28.1
73	70.2	0.0	0.0	0.0	1.7	28.1
74	69.7	0.0	0.0	0.0	2.1	28.2
75	70.3	0.0	2.9	0.0	2.1	24.6
76	70.2	0.0	3.0	0.0	2.2	24.6
77	82.0	0.0	2.2	0.0	1.1	14.8
78	86.6	0.0	0.0	0.0	.5	12.9
79	86.6	0.0	0.0	0.0	.5	12.8
80	86.4	0.0	0.0	0.0	.9	12.7
*$\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	56.1	0.0	0.0	11.2	0.0	NA	NA	NA	7.7	81.3
73	56.1	0.0	0.0	11.2	0.0	NA	NA	NA	7.7	81.3
74	57.6	0.0	0.0	9.3	.0	NA	NA	NA	11.9	75.4
75	49.0	0.0	0.0	17.5	4.2	7.3	3.3	4.9	NA	86.1
76	47.7	0.0	0.0	18.5	4.4	7.7	3.4	4.8	NA	86.5
77	61.9	0.0	0.0	9.2	3.9	6.1	2.6	4.0	NA	87.9
78	62.3	0.0	0.0	9.6	4.2	5.5	2.7	4.3	NA	88.6
79	67.0	0.0	0.0	8.6	0.0	5.5	0.0	3.1	NA	84.2
80	57.7	0.0	0.0	9.3	4.1	5.3	2.6	4.1	NA	83.1
*$\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

*$\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3D. Prophet College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$2,065.27	$1,573.21	NA	NA	757
74	$2,130.93	$1,840.19	NA	NA	648
75	$2,308.30	$1,837.94	$273.41	$185.05	556
76	$1,940.97	$1,545.46	$248.67	$155.60	648
77	$2,575.89	$1,771.25	$175.62	$114.23	1,001
78	$3,317.72	$2,114.86	$186.27	$146.65	873
79	$3,149.25	$2,648.24	$216.11	$124.14	847
80	$3,828.29	$2,423.62	$223.10	$172.37	837

Table 4D. Prophet College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue	Gifts Revenue	Endowment Revenue	Total Revenue	Total TOTFTE
1971-72	$1,421,284	$34,358	$0	$2,024,052	
	100.0	100.0	100.0	100.0	
1972-73	$1,563,412	$37,794	$0	$2,226,457	757
	110.0 10.0%	110.0 10.0%	.0 .0%	110.0 10.0%	100.0
1973-74	$1,380,841	$40,884	$0	$1,980,034	648
	97.2 -11.7%	119.0 8.2%	.0 .0%	97.8 -11.1%	85.6 -14.4%
1974-75	$1,283,415	$38,854	$0	$1,825,475	556
	90.3 -7.1%	113.1 -5.0%	.0 .0%	90.2 -7.8%	73.4 -14.2%
1975-76	$1,257,746	$38,854	$0	$1,790,813	648
	88.5 -2.0%	113.1 .0%	.0 .0%	88.5 -1.9%	85.6 16.5%
1976-77	$2,578,462	$34,519	$0	$3,145,118	1,001
	181.4 105.0%	100.5 -11.2%	.0 .0%	155.4 75.6%	132.2 54.5%
1977-78	$2,896,371	$18,166	$0	$3,346,357	873
	203.8 12.3%	52.9 -47.4%	.0 .0%	165.3 6.4%	115.3 -12.8%
1978-79	$2,667,412	$16,473	$0	$3,078,474	847
	187.7 -7.9%	47.9 -9.3%	.0 .0%	152.1 -8.0%	111.9 -3.0%
1979-80	$3,204,283	$32,675	$0	$3,708,289	837
	225.4 20.1%	95.1 98.4%	.0 .0%	183.2 20.5%	110.6 -1.2%

Table 5D. Prophet College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships& Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$1,568,383		$1,929,133	
	100.0		100.0		100.0	
1972-73	$0		$1,725,221		$2,122,046	
	.0	.0%	110.0	10.0%	110.0	10.0%
1973-74	$0		$1,560,038		$2,069,162	
	.0	.0%	99.5	-9.6%	107.3	-2.5%
1974-75	$152,018		$1,797,764		$2,087,045	
	.0	.0%	114.6	15.2%	108.2	.9%
1975-76	$161,139		$1,815,645		$2,099,140	
	.0	6.0%	115.8	1.0%	108.8	.6%
1976-77	$175,792		$2,515,361		$2,862,870	
	.0	9.1%	160.4	38.5%	148.4	36.4%
1977-78	$162,612		$2,625,800		$2,963,848	
	.0	-7.5%	167.4	4.4%	153.6	3.5%
1978-79	$183,042		$2,820,076		$3,349,903	
	.0	12.6%	179.8	7.4%	173.6	13.0%
1979-80	$186,738		$2,922,443		$3,518,502	
	.0	2.0%	186.3	3.6%	182.4	5.0%

Table 6D. Prophet College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr		Market Value Beg of Yr		Book Value End of Yr		Market Value End of Yr		Yield	
1971-72	$30,829	100.0	$30,829	100.0	$48,685	100.0	$48,685	100.0	$1,215	100.0
1972-73	$48,685	157.9 57.9%	$48,685	157.9 57.9%	$48,685	100.0 .0%	$48,685	100.0 .0%	$1,215	100.0 .0%
1973-74	$55,631	180.5 14.3%	$0	.0 -100.0%	$57,546	118.2 18.2%	$0	.0 -100.0%	$1,915	157.6 57.6%
1974-75	$57,546	186.7 3.4%	$41,318	134.0 .0%	$59,115	121.4 2.7%	$43,750	89.9 .0%	$1,569	129.1 -18.1%
1975-76	$59,115	191.8 2.7%	$43,750	141.9 5.9%	$59,115	121.4 .0%	$43,750	89.9 .0%	$1,569	129.1 .0%
1976-77	$60,958	197.7 3.1%	$45,227	146.7 3.4%	$62,376	128.1 5.5%	$51,235	105.2 17.1%	$1,418	116.7 -9.6%
1977-78	$62,376	202.3 2.3%	$51,235	166.2 13.3%	$60,951	125.2 -2.3%	$55,991	115.0 9.3%	$3,043	250.5 114.6%
1978-79	$60,951	197.7 -2.3%	$55,991	181.6 9.3%	$59,236	121.7 -2.8%	$53,015	108.9 -5.3%	$285	23.5 -90.6%
1979-80	$59,236	192.1 -2.8%	$53,015	172.0 -5.3%	$48,205	99.0 -18.6%	$55,035	113.0 3.8%	$115	9.5 -59.6%

Table 7D. Prophet College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr		Additional Borrowed		Payments Made		Balance Owed End of Yr		Interest Payments	
1971-72	$530,000		$300,000		$60,000					
	100.0		100.0		100.0					
1972-73	$770,000		$0		$60,000					
	145.3	45.3%	.0	-100.0%	100.0	.0%				
1973-74	$710,000		$90,000		$0					
	134.0	-7.8%	30.0	.0%	.0	-100.0%				
1974-75	$800,000		$0		$40,000		$760,000		$71,096	
	150.9	12.7%	.0	-100.0%	66.7	.0%	100.0		100.0	
1975-76	$760,000		$0		$40,000		$720,000		$67,640	
	143.4	-5.0%	.0	.0%	66.7	.0%	94.7	-5.3%	95.1	-4.9%
1976-77	$720,000		$0		$40,000		$680,000		$55,279	
	135.8	-5.3%	.0	.0%	66.7	.0%	89.5	-5.6%	77.8	-18.3%
1977-78	$680,000		$0		$40,000		$640,000		$57,040	
	128.3	-5.6%	.0	.0%	66.7	.0%	84.2	-5.9%	80.2	3.2%
1978-79	$640,000		$0		$40,000		$600,000		$51,053	
	120.8	-5.9%	.0	.0%	66.7	.0%	78.9	-6.3%	71.8	-10.5%
1979-80	$600,000		$0		$40,000		$560,000		$45,321	
	113.2	-6.3%	.0	.0%	66.7	.0%	73.7	-6.7%	63.7	-11.2%

LINK COLLEGE

PROFILE

Location:	Small city, Northeast
Type:	Independent
	1973: Comprehensive I 1976: Comprehensive II
1982 enrollment:	1,835 FTE
Date founded:	1946
1981 cost:	$6,460 (tuition, room, and board) About 95% of students on financial aid last year

The Story of Link College

Link College was established in 1946 when residents of its city requested it of a private university located about 50 miles away. Link was and remains a semi-autonomous independently accredited college of that university, dedicated to serving the local community. The university provides management expertise and assistance, sometimes on a fee for service basis, but it does not provide financial support for the college. Link's degrees carry the name of the parent university. Link has had an independent development foundation since the mid-1950s.

Link serves an economically depressed locale, primarily blue collar workers, that is experiencing out-migration. Its orientation toward serving that locale is so strong that it used to refer to itself as "the community college," until that term was applied to the two-year sector of the higher education industry.

Branch campuses. Link has no second campus and offers only a few classes in locations other than its campus.

Competition. In its early years, Link had no competition in its region and it attracted many students who had G. I. benefits. In 1969, the state established an upper division technical college twelve miles from Link. That college was permitted to stray from its mission and began offering programs that competed with those of Link at much lower tuition. By 1975, Tech had made its maximum inroad on Link enrollments, students having settled into a pattern of preferring one or the other. In 1976, Link greatly reduced its evening division tuition, regaining some students from Tech. In 1980, the state began to curtail Tech's programs to fit more closely with its mandate.

Enrollments and Students

Link grew from 2,370 students in 1959 to over 3,000 in 1965 and, as shown in figure 1E, it stayed at or above that level for five years. Enrollments dropped from 1969 to 1971, stabilized for three years, and went down again from 1973 to 1977. In 1978 total enrollment began to climb again, reaching almost 2,500 in 1981.

Link's proportion of part-time students has always been high. Student head counts (figure 1E) and full-time equivalent (FTE) students (figure 2E) have not behaved parallel to one another due to fluctuations in the number and attendance patterns of part-time students. FTE students (figure 2E) numbered almost 2,000 in 1973, declining thereafter to a trough of 1,449 in 1978. They have since climbed to a 1982 total of 1,835--growth which has exceeded earlier college projections. The projections for the next five years show stable overall enrollments, with fewer day students and more evening students.

Students. Since its founding, the proportion of Link students who are local residents or commuters has declined to its present 50%. Realizing that this meant Link was becoming more successful throughout the state and beyond than had earlier been anticipated, Link administrators have begun actively to seek those more distant students through the admissions program. In addition to this change in the student body, the proportion of minorities has steadily increased, now at 14%. Most students are first generation college-goers. In the evening program, some 70% are in career programs rather than liberal arts. That percentage is also high for day students. Since the mid-1970s the proportion of day students who graduate in four years has held steady at about 50%.

Admissions standards may have shifted downward slightly over the past decade or two, but the change is not dramatic to the faculty. The average SAT score of those admitted has fallen only 25 points in the past ten years to a 1982 figure of 956. The change from Comprehensive I to Comprehensive II reflects the drop in enrollments between 1973 and 1976, not a change in the selectivity of the college.

While Link's enrollment has suffered from demographic changes, including out-migration from its locale, and from competition from Tech, it has also enjoyed two key advantages. The first is that its parent university may suggest to applicants in high demand areas whom it cannot accommodate that they start at Link, perhaps transferring later to the university. Second, the state offers financial aid to students who attend private colleges in the state, which helps to overcome the tuition differential between the two sectors.

Student life. Dormitory space is limited on campus--so limited that with recent increases in non-commuting students, Link has had to rent an entire motel 13 miles from campus, with a shuttlebus, to help students with the local housing shortage. A capital fund drive for more residence hall space is underway, the need for it clear even with projected decline in day student enrollment.

The fact that so many students do not live on campus, coupled with Link's historically strong relationship with its community, means that student life and community life are intermingled. For example, part of the student fee underwrites ticket price reductions for students at local community special events. Such occasions have included road presentations of Broadway shows.

Faculty, Administrators, and Others

Faculty. As a group, the faculty seem to be flexible, dedicated to the welfare of the college, actively involved, and divided in their opinions on several issues. They were credited with high willingness to seek out and start new programs in response to newly identified community needs. During 1970-76, which was a very trying time with the prospect of merger or sale of the college hanging over everyone's heads, the faculty are said to have worked hard to maintain a strong curriculum and assist with student recruiting. They did this despite the fact that some strongly favored a merger or sale while others were vigorously opposed. Tension between liberal arts faculty and career program faculty is also present, according to respondents. This tension is said to have characterized the faculty ever since its founding. One person remarked that the curriculum and faculty relations would be much better if the college had made more effort to integrate the liberal arts within all the career programs.

Early in the merger/sale talks, when the change seemed imminent, Link hired some 25% more faculty on the premise that enrollments would increase and the financial condition would stabilize through the change. When this change did not materialize, faculty members were reduced. Reduction was said to have been especially apparent in 1976, although no drastic measures were needed--attrition, retraining, and incentives for early retirement were the primary methods of reduction.

Sixty-three percent of the faculty are tenured, and 60% hold terminal degrees. Currently, 16% are part-time.

By 1976, faculty members were so disenchanted with unreliable communications between them and the administration that they voted the AAUP as their collective bargaining agent. Whether Link would merge or be sold still had not been resolved, and the faculty moved also for a change of presidents. No one commented on the present relationship between the union and the administration, speaking instead about current relations between the faculty and the administration. Apparently adversarial feelings, if they exist, are no longer strong. Faculty are beginning to make known their desire for greater participation in college decisions, now that the merger/sale issue is closed and the crisis is past.

Administration. During the first ten years of the college, its president was a classic-style educator, much beloved by those who remember him. Respondents noted that the second president had started a capital campaign for the first real campus, which was away from the previously used converted buildings in the downtown sector. The president from 1970 to 1976 was chosen for his background as a development officer. However, issues other than fund-raising proved to be critical during his administration. He came into office with merger/sales talks already underway, and the issue was never resolved during his administration. Troublesome differences among the vice presidents fragmented college direction. The president's administrative performance was termed "inept," and he was not involved in financial decisionmaking.

For 1976-77, Link was lead by an interim president, a healer who was well-liked. The president since 1977 had been a top member of statewide education administration. He is described as a top-notch administrator, strong in financial affairs, with important statewide connections. His role since coming to Link might be summarized as "making friends" for the college. His knowledge of state agencies, the legislature, and

individuals within them have been helpful to the cause of private higher education, including Link, in maintaining funding for the private sector and in limiting the programs of state institutions to their intended mission. The president is actively involved in community relations and in student recruiting. Collectively, the administrative team for this president was termed, "a set of agile administrators who see the possibilities [of the college] and make them happen."

The business officer has served the college since its founding. He is fiscally very conservative. In the early 1970s, when he frequently projected a much worse end-of-year financial position than eventually materialized, faculty were upset. During one year, when the faculty were persuaded to accept no salary increases because the financial picture appeared so bleak, the college realized a surplus. This kind of problem has evaporated with improved financial health and better faculty-administration communication.

Trustees. The trustees for the parent university also serve in that capacity for the college, through the university. This fact, together with access to the top administrators of the university, appears to afford Link considerable expert advice that it might not have been able to generate without that connection. It also seems to indicate that trustees are far less intimately involved with the college than is true of other colleges in this study.

Perhaps as important, or more, is the board of the development foundation that serves only Link. It was first established in the mid-1950s as a vehicle through which interested donors could be assured that their contributions would go to Link rather than the parent university. During its three past capital campaigns, the foundation has raised $3 million, mostly in smaller donations from local citizens and businesses. In 1974, the foundation started an annual fund drive.

It was this development foundation, according to one account, that finally served as the vehicle for ending the merger/sale discussions, leaving Link's status unchanged. The foundation owns the land on which the college is built, and it owns the buildings when they are paid for. Therefore, any merger or sale would require the consent of the foundation board. When this requirement eventually became clear to those involved and the board voted, it requested the Chancellor and President to discontinue such efforts and these officers concurred.

Constituents. The community has been Link's most important constituency ever since the community leaders asked for the college in 1946. Link's relationship with the community receded into the background to some extent in the early 1960s when it left the downtown area to its new campus on the outskirts and college members began to think they should become a more traditional liberal arts campus, loosening the ties with community needs. This apparently was neither a strong nor a long-lived direction of the college. College leaders are now actively involved in cultivating community donors and discussing academic program needs with local employers and potential students.

Alumni have not been a key constituency for Link, as seems true for most young colleges. Their importance has risen under the current administration. One indication of this new priority is that Link is building a Division I basketball team, partly in an effort to give the alumni "something to come back to the campus for," serving as a rallying point for their rededication to college welfare.

On some important occasions, faculty, staff, and administrators of the parent university have been critical constituents. Certainly this was the case when the parent university was considering merging or selling the college to the state. Over the years, the university has also both directly and indirectly assisted the college in recruiting students, and faculty members have helped their counterparts at Link in establishing new academic programs.

Academic Programs

Link opened with four career programs, in addition to many in the liberal arts. Virtually all of its program change since 1946 has been in the form of new career programs. It was among the first colleges to offer majors in public relations and construction management. The faculty frequently review all facets of the curriculum, including efforts to increase its efficiency--as through alternate year offerings of specialized courses and cutting the total number of courses.

Three hallmarks seem to characterize program development: serving local job needs, using local resources, and remaining open to change. The medical and technical industries in the area are relatively strong, requiring trained employees and willing to support the college in educating them. Five area hospitals are cooperating with space, equipment, and staff resources to re-establish Link's nursing program, which had been trimmed way back in the late 1970s when it was too expensive for the college to support. Computer science, after a cautious introduction, is growing in importance for the college. An attractive feature of computer science is the opportunity for internships and placement at an area Air Force base. Talks with the local insurance industry pointed out the need for the new actuarial science program. A new program in fine arts helps broaden the image of the college in the liberal arts, and it is offered in conjunction with a small but well-respected art museum in the community.

During the difficult 1970s, foreign languages were cut back, as was the nursing program temporarily. No other program reductions were mentioned.

Planning

Link was involved in institutional research relatively early in the history of that function, having an office with that purpose by 1969. However, college records are just now being automated. No particular planning system was mentioned, but the planning function seems to be felt as a shared responsibility of all. The faculty, as well as administrators, talked as if they were constantly on the alert for early warning signals of needed changes in the curriculum. One faculty member in economics even played with models of alternative sizes for Link and their implications for institutional health.

Financial Situation

Total revenues from 1972 to 1980 did not keep pace with inflation. However, tuition revenue rose almost as far as total revenue over the period, despite the fact that FTE enrollment in 1980 was only 80% of that for 1972. Since 1972, expenditures have exceeded revenues in only three years: 1972, 1973, and 1976 and these were moderate ($34,000, $12,000, and $86,000).

Operating budget. In 1969 the college was heavily tuition dependent (85% of total revenues) and $300,000 in debt. In 1970, enrollment started down. By 1971, the college declared a state of financial exigency, showing a $450,000 deficit projected for the year. A week later, the deficit had been reduced to an expected $250,000, and the year ended with no deficit. Similarly, 1972's projected deficit was $220,000 (actual was $34,000) and 1973's projection was $108,000 (actual was $12,000). Financial reactions to these problems consisted mainly of belt-tightening in all areas; interpersonal reactions were skepticism and anger. Although there was a general sense that the college had indeed fallen on hard times, the faculty felt deceived as to the magnitude of the problem.

Link has since reduced its tuition dependency through increased grants and gifts. Two important factors in analyzing Link's financial statements deserve mention. First, gift income is a "plug figure" from Link's development foundation, which holds the college endowment. Each year, college officials estimate how much gift income they'll need to balance the budget, and that amount is pledged by the foundation. This accounts for Link's having an endowment, but no recorded endowment income. It also means that, conversely to other colleges, small amounts recorded in the gift column are not indications of lack of gift support. Rather, that suggests that the college has been able to keep expenditures down, raise "earned" income near the level of expenditures, and, to the extent that gifts raised exceed gifts pledged, add assets for the future. The second factor is state aid, which totals some 15-20% of the operating budget when student and institutional aid are combined.

Capital. Link's debt service is low for a college of its size, totalling only $216,000. In addition, it has not been deferring maintenance in order to achieve short-term savings. The campus is still relatively new, the major recent expenditures having related to improved energy efficiency and the sole new need being residence hall space for which a capital drive is underway. The college, through its development foundation, also owns some non-campus land and facilities in the area, some of which cannot be sold for several more years due to a clause in the gift agreement. These facilities do not produce income, but they are only a small drain on current funds and their value is appreciating. During the 1970s an endowment fund was established, which amounted to $1.5 million by 1982.

Perceived financial condition. Respondents are optimistic about Link's financial future. Recent enrollment growth, development of the foundation and its assets, strong community relations, and competent administration are largely responsible for their feelings. The only major concern expressed had to do with the long-term reliability of the current level of state funding. While they have no specific reason to expect cuts in that area, they are cognizant of state budget difficulties and the changes that can occur in any kind of government decisionmaking.

Commentary on Link College

Causes of College Problems

Link entered the 1970s faced with an operating deficit, no financial cushion, and several difficult trends: inflation and faculty numbers were going up, regional population and student enrollments were going down. A strong new competitor had entered the market, and no one knew whether Link would continue as part of its parent university or go public. That doubt hung over the college for seven years, and may have cost some students who chose other colleges rather than the endure uncertainty.

For the most part, these factors were external--phenomena over which college administrators had no control. They might have positioned the college better during the 1960s by avoiding deficits and developing gift sources, but in those halcyon days such courses of action seemed to be far less important than they do now. External factors certainly were exacerbated by indecision and lack of direction in the 1970-76 administration. But the most powerful factors in Link's situation were environmental.

College Response to Decline

College Response to Decline. Throughout the 1970s, the college continued to identify and meet program needs of the region with a number of new majors closely tied to market demand. Although this was not new for Link, current enrollments in the new programs show that it was productive.

Another helpful factor was also a tradition of the college--seeking ways to economize in expenditures. The conservative orientation of the long-term business officer meant that the college took such measures as installing its own telephone system and auditing and improving energy efficiency.

With the new president in 1977 came two important new ingredients: more attention to college constituencies and an end to the uncertainty about future control of the college. The president is emphasizing community and alumni relations in order to maintain and improve their support for the college. He is also giving personal attention to student recruiting. Now that the affiliation with the parent university is secure and the financial condition more sound, Link is in a better position to appeal to both donors and students.

The Lessons in Link's Experience

We found it exceptionally difficult to draw lessons for practice or theory from the Link story. Our visit left us with more questions than comments. Upon reflection, we believe we understand why this was the case, and we state that here as the sole lesson. Following that discussion, we point out some of the unresolved issues in the case.

Events that are not under management control may be the primary forces determining the well-being of a college. The major causes of Link's difficulties in the early 1970s were environmental, as discussed

above. The responses of the college, while diligent and continuous, do not represent dramatic departures from historical practice in the college. It seems unreasonable to attribute to Link administrators the primary responsibility for getting the competing school back into line with its mission, or for increasing and sustained state support--two critical factors in Link's recovery. The merger issue could hardly have gone on much longer without some kind of resolution, whichever way it went. The way it finally did go was determined by forces that seemed to be a classic illustration of organized anarchy, not foresight and decisiveness. The result was that Link continued to enjoy the numerous significant advantages of its association with its parent university--directly and indirectly assisting Link in its efforts to recruit students. We came away from Link with a sense of cyclical movement through time, mostly undirected by strong leadership and only marginally affected by weak leadership. We were puzzled by the fact that those we interviewed at Link did not speak of eras in college history--"The Crunch," or "when Jones was president," for example. In other colleges, such eras had been part of common vocabulary even though those colleges, too, lived constantly on the brink of disaster. Perhaps the inexorable ebb and flow of uncontrollable events, sometimes working in the same direction and other times countervailing directions, accounted for this difference in perspective at Link.

How can college personnel apparently have a strong sense of institutional loyalty and commitment when they are so little involved with--or even aware of--events in areas of the college outside their own? It may have been an artifact of our interview schedule, but we met with very few individuals who knew much about, or appeared to want to know much about, what was happening in other departments. A faculty member, for example, who had longer tenure as a division head than any other, could tell us only about faculty reductions that had occurred in his area. What had been done to cut faculty and how it had been done in other areas were largely unknown to him. The 1970-76 president never paid any attention, apparently, to the financial affairs of the college. The business officer, with 36 years of service at the college, was described as a person who had little or no knowledge of--or interest in--the academic part of the institution. Certainly many of the faculty and the business officer seem to lack communication and understanding between them. Yet each of these individuals seemed to be dedicated to college welfare and to have invested inordinate amounts of effort to improve it--albeit in ways that others may not always have appreciated. And somehow, except when the four lead horses were pulling in opposite directions from 1970 to 1976, their efforts seemed to have a certain harmony and complementarity that served the institution reasonably well.

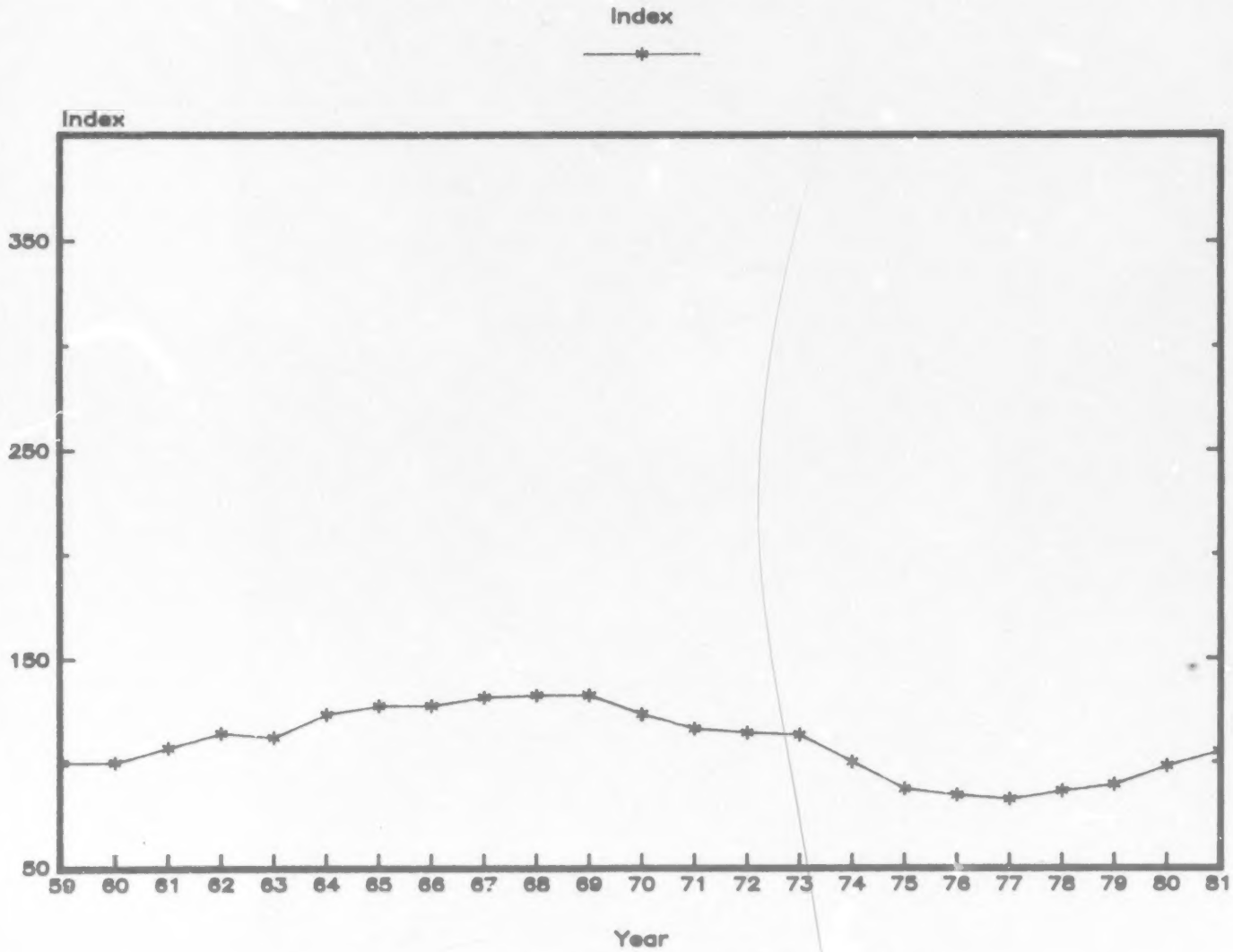
How has it been possible to achieve balanced budgets without undue organizational pain in continuing fiscal decline, when the effort to trim expenditures to the bone has apparently been strong throughout the life of the institution? Respondents talked of major reductions in the number of faculty without faculty dissent, the achievement attributed to a single year. True, that was the same year they voted in a union, but that move was consistently attributed to distrust generated by poor administration-faculty communication about deficit projections and possible merger. Perhaps it was simply more convenient to blame those two factors than to appear selfishly concerned with their own welfare. But as total revenues continued to decline, in constant dollars, the relationship between the union and the administration apparently was not adversarial.

Furthermore, even allowing for new technolcgies, how does an organization continue to find new ways to economize when it claims to have done so since its inception? Such economies were said to be an important factor in budget balancing, yet it would seem that there is a limit on what can be done over many years.

Figure 1E

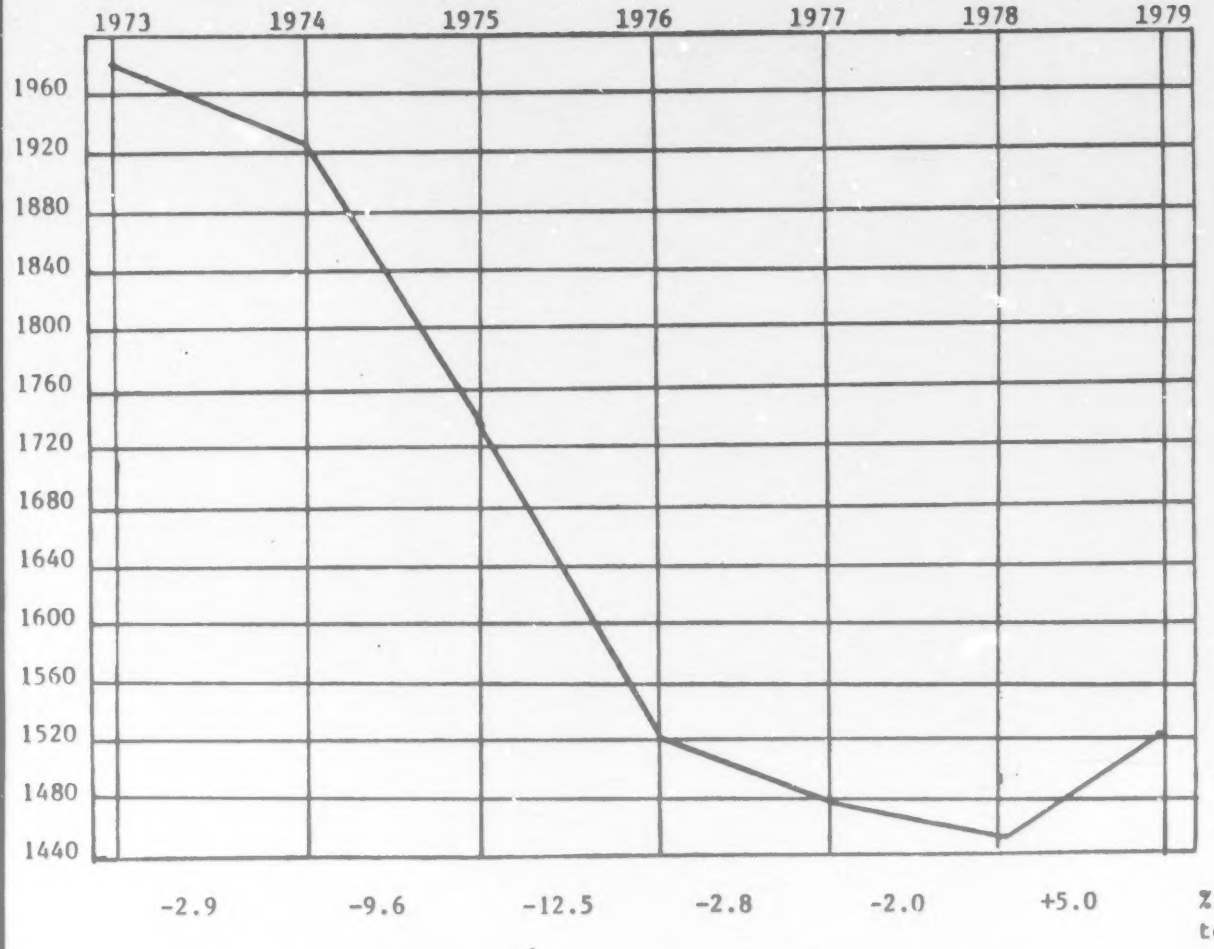
Indexed* Headcount Enrollments (1959–1981)

Link College



*Index based on average of first two years data

Figure 2E. Link College: Total Full-Time Equivalent Students by year 1973-1979



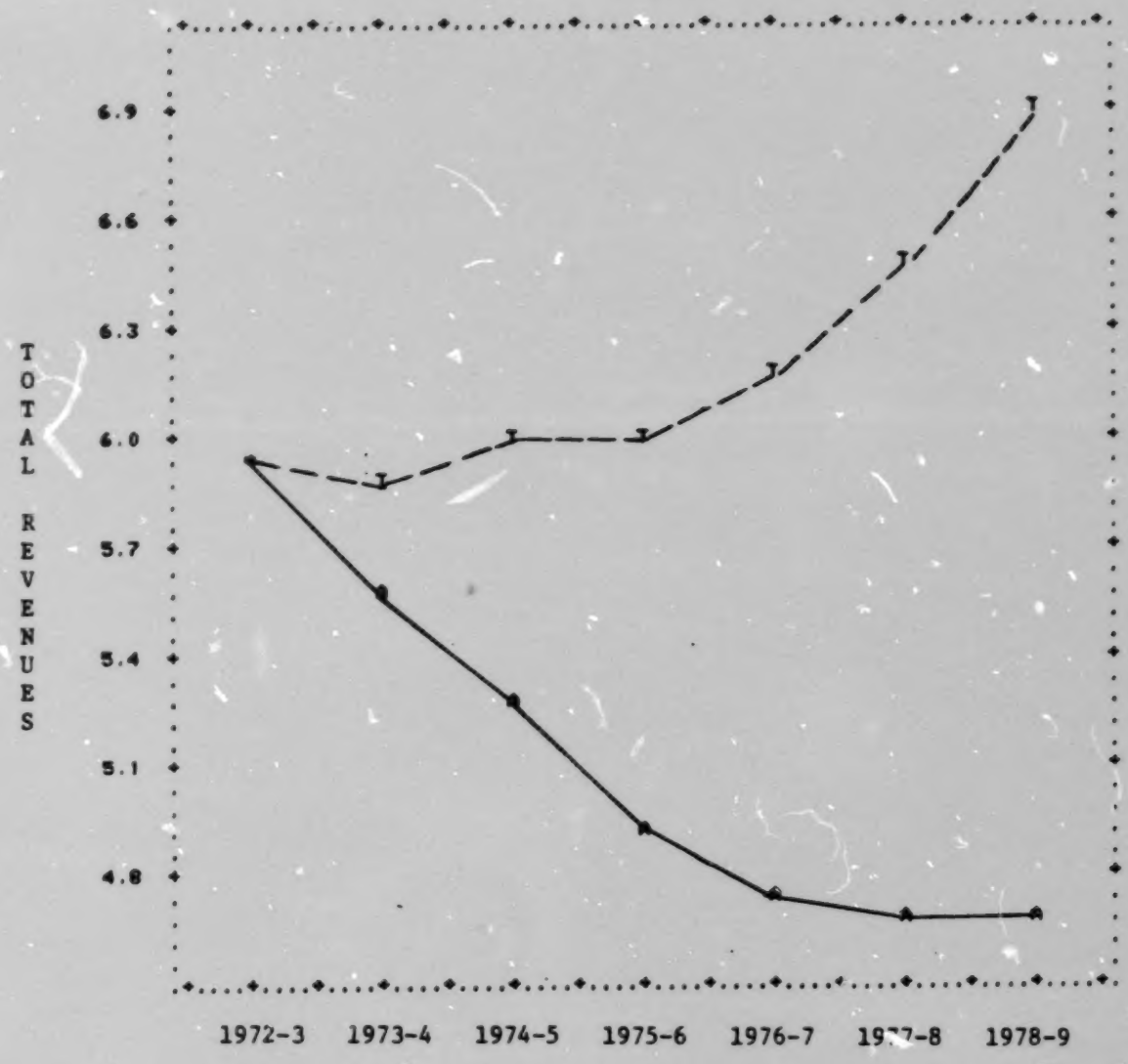


Figure 3E. Link College 1973-1979 Revenue Trends

T = Total revenues
A = Total revenues adjusted for inflation (HEPI)

Table 1E. Link College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants & Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	4,095,357	186,400	12,896	0	91,951	1,302,191	5,688,795
73	4,204,532	210,513	6,248	5,707	90,056	1,448,331	5,965,387
74	4,162,043	410,857	7,180	5,677	85,002	1,184,257	5,855,016
75	4,278,235	379,200	608,294	3,458	53,932	657,457	5,980,576
76	4,126,677	386,400	775,558	1,803	176,484	557,667	6,024,589
77	4,228,881	402,320	715,252	0	221,305	599,794	6,167,552
78	4,517,139	360,020	806,691	0	117,260	704,338	6,505,468
79	4,867,201	331,820	814,736	0	124,555	758,953	6,897,265
80	5,387,432	379,760	914,020	0	189,141	872,320	7,742,673

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	1,670,759	11,482	0	424,602	1,736,577	NA	NA	NA	601,896	4,410,010	5,722,544
73	1,661,422	5,338	0	458,883	1,814,733	NA	NA	NA	552,024	4,643,766	5,977,797
74	1,825,010	7,180	0	478,888	1,803,961	NA	NA	NA	472,129	4,826,771	5,884,426
75	1,739,385	93,610	109,423	420,566	1,190,944	538,402	381,302	569,999	NA	5,250,174	5,893,944
76	1,871,636	105,743	109,591	431,117	1,293,388	530,001	408,316	577,067	NA	5,552,359	6,110,890
77	2,308,419	117,040	0	476,531	824,820	488,814	476,844	698,548	NA	5,572,376	6,167,552
78	2,423,368	129,481	0	597,573	779,511	478,201	485,386	743,167	NA	5,814,669	6,482,668
79	2,588,376	132,436	0	619,485	866,355	536,981	507,415	771,316	NA	6,199,068	6,885,215
80	2,748,009	220,121	0	709,404	1,071,761	564,740	629,338	785,828	NA	6,899,307	7,704,673

Table 2E. Link College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	72.0	3.3	.2	0.0	1.6	22.9
73	70.5	3.5	.1	.1	1.5	24.3
74	71.1	7.0	.1	.1	1.5	20.2
75	71.5	6.3	10.2	.1	.9	11.0
76	68.5	6.4	12.9	0.0	2.9	9.3
77	68.6	6.5	11.6	0.0	3.6	9.7
78	69.4	5.5	12.4	0.0	1.8	10.8
79	70.6	4.8	11.8	0.0	1.8	11.0
80	69.6	4.9	11.8	0.0	2.4	11.3
$*\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

94

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	29.2	.2	0.0	7.4	30.3	NA	NA	NA	10.5	77.1
73	27.8	.1	0.0	7.7	30.4	NA	NA	NA	9.2	77.7
74	31.0	.1	0.0	8.1	30.7	NA	NA	NA	8.0	82.0
75	29.5	1.6	1.9	7.1	20.2	9.1	6.5	9.7	NA	89.1
76	30.6	1.7	1.8	7.1	21.2	8.7	6.7	9.4	NA	90.9
77	37.4	1.9	0.0	7.7	13.4	7.9	7.7	11.3	NA	90.3
78	37.4	2.0	0.0	9.2	12.0	7.4	7.5	11.5	NA	89.7
79	37.6	1.9	0.0	9.0	12.6	7.8	7.4	11.2	NA	90.0
80	35.7	2.9	0.0	9.2	13.9	7.3	8.2	10.2	NA	89.5
$*\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

$*\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3E. Link College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$2,123.50	$ 839.10	NA	NA	1,980
74	$2,164.35	$ 949.04	NA	NA	1,923
75	$2,461.58	$1,000.80	$[illegible]9.78	$327.96	1,738
76	$2,714.92	$1,231.34	$348.68	$379.65	1,520
77	$2,861.22	$1,561.85	$330.73	$472.63	1,478
78	$3,117.42	$1,672.44	$330.02	$512.88	1,[illegible]49
79	$3,19[illegible].90	$1,700.64	$352.81	$506.78	1,522
80	$3,403.31	$1,735.95	$356.75	$496.42	1,583

Table 4E. Link College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue	Gifts Revenue	Endowment Revenue	Total Revenue	Total TOTFTE
1971-72	$4,095,357 100.0	$91,951 100.0	$0 100.0	$5,688,795 100.0	
1972-73	$4,201,532 102.7 2.7%	$90,056 97.9 -2.1%	$5,707 .0 .0%	$5,965,387 104.9 4.9%	1,980 100.0
1973-74	$4,162,043 101.6 -1.0%	$85,002 92.4 -5.6%	$5,677 .0 -.5%	$5,855,016 102.9 -1.9%	1,923 97.1 -2.9%
1974-75	$4,278,235 104.5 2.8%	$53,932 58.7 -36.6%	$3,458 .0 -39.1%	$5,980,576 105.1 2.1%	1,738 87.8 -9.6%
1975-76	$4,126,677 100.8 -3.5%	$176,484 191.9 227.2%	$1,803 .0 -47.9%	$6,024,589 105.9 .7%	1,520 76.8 -12.5%
1976-77	$4,228,881 103.3 2.5%	$221,305 240.7 25.4%	$0 .0 -100.0%	$6,167,552 108.4 2.4%	1,478 74.6 -2.8%
1977-78	$4,517,139 110.3 6.8%	$117,280 127.5 -47.0%	$0 .0 .0%	$6,505,468 114.4 5.5%	1,449 73.2 -2.0%
1978-79	$4,867,204 118.8 7.7%	$124,555 135.5 6.2%	$0 .0 .0%	$6,897,265 121.2 6.0%	1,522 76.9 5.0%
1979-80	$5,387,432 131.5 10.7%	$189,141 205.7 51.9%	$0 .0 .0%	$7,742,673 136.1 12.3%	1,583 79.9 4.0%

Table 5E. Link College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships& Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$4,410,010		$5,722,544	
	100.0		100.0		100.0	
1972-73	$0		$4,643,766		$5,977,797	
	.0	.0%	105.3	5.3%	104.5	4.5%
1973-74	$0		$4,826,271		$5,884,426	
	.0	.0%	109.4	3.9%	102.8	-1.6%
1974-75	$538,402		$5,250,174		$5,8[illegible]3,944	
	.0	.0%	119.1	8.8%	103.0	.2%
1975-76	$530,091		$5,552,359		$6,110,890	
	.0	-1.6%	125.9	5.8%	106.8	3.7%
1976-77	$488,814		$5,572,376		$6,167,552	
	.0	-7.8%	126.4	.4%	107.8	.9%
1977-78	$478,201		$5,814,669		$6,482,668	
	.0	-2.2%	131.9	4.3%	113.3	5.1%
1978-79	$536,981		$6,199,068		$6,885,215	
	.0	12.3%	140.6	6.6%	120.3	6.2%
1979-80	$564,740		$6,899,307		$7,704,673	
	.0	5.2%	156.4	11.3%	134.6	11.9%

Table 6E. Link College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr	Market Value Beg of Yr	Book Value End of Yr	Market Value End of Yr	Yield
1971-72	$0 100.0	$0 100.0	$0 100.0	$0 100.0	$0 100.0
1972-73	$70,523 .0 .0%	$71,179 .0 .0%	$93,891 .0 .0%	$94,604 .0 .0%	$3,581 .0 .0%
1973-74	$93,891 .0 33.1%	$0 .0 -100.0%	$346,751 .0 269.3%	$0 .0 -100.0%	$6,948 .0 94.0%
1974-75	$39,351 .0 -58.1%	$40,176 .0 .0%	$35,355 .0 -89.8%	$36,492 .0 .0%	$1,826 .0 -73.7%
1975-76	$35,355 .0 -10.2%	$36,492 .0 -9.2%	$32,657 .0 -7.6%	$33,422 .0 -8.4%	$1,765 .0 -3.3%
1976-77	$32,657 .0 -7.6%	$32,657 .0 -10.5%	$0 .0 -100.0%	$0 .0 -100.0%	$0 .0 -100.0%
1977-78	$0 .0 -100.0%	$0 .0 -100.0%	$0 .0 .0%	$0 .0 .0%	$0 .0 .0%
1978-79	$0 .0 .0%	$0 .0 .0%	$0 .0 .0%	$0 .0 .0%	$0 .0 .0%
1979-80	$0 .0 .0%	$0 .0 .0%	$0 .0 .0%	$0 .0 .0%	$0 .0 .0%

Table 7E. Link College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr	Additional borrowed	Payments Made	Balance Owed End of Yr	Interest Payments
1971-72	$6,768,704 100.0	$0 100.0	$170,368 100.0		
1972-73	$6,598,336 97.5 -2.5%	$0 .0 .0%	$100,568 59.0 -41.0%		
1973-74	$6,497,768 96.0 -1.5%	$0 .0 .0%	$126,268 74.1 25.6%		
1974-75	$6,371,500 94.1 -1.9%	$0 .0 .0%	$159,820 93.8 26.6%	$6,211,680 100.0	$329,430 100.0
1975-76	$6,211,680 91.8 -2.5%	$0 .0 .0%	$143,344 84.1 -10.3%	$6,068,336 97.7 -2.3%	$323,181 98.1 -1.9%
1976-77	$6,068,336 89.7 -2.3%	$0 .0 .0%	$226,320 132.8 57.9%	$5,842,016 94.0 -3.7%	$312,220 94.8 -3.4%
1977-78	$5,842,016 86.3 -3.7%	$0 .0 .0%	$190,624 111.9 -15.8%	$5,651,392 91.0 -3.3%	$301,276 91.5 -3.5%
1978-79	$5,651,392 83.5 -3.3%	$0 .0 .0%	$150,608 88.4 -21.0%	$5,500,784 88.6 -2.7%	$291,435 88.5 -3.3%
1979-80	$5,500,784 81.3 -2.7%	$0 .0 .0%	$235,912 138.5 56.6%	$5,264,872 84.8 -4.3%	$281,130 85.3 -3.5%

HARMONY COLLEGE

PROFILE

Location:	Suburban, Far West
Type:	Liberal Arts II, Catholic A women's college until 1969
1981 enrollment:	1,090 FTE
Date founded:	1868
1981 cost:	$6,100 (tuition, room, and board) 50% of students on aid

The Story of Harmony College

As the 1980 accrediting team put it, Harmony is "one of those almost-extinct institutions of higher education: a small, intimate, concerned college in a setting of almost incomparable beauty near a large metropolitan area." The team also used the word "meticulous" to describe both the physical facilities and the academic advising available to students.

Harmony was established by an order of religious sisters as a two-year college for women, emphasizing fine and liberal arts. In 1951, the program was extended to four years. In 1955 Harmony started an evening division, primarily to serve the continuing education needs of male and female teachers in the area. Harmony opened its regular undergraduate program to men in 1969, becoming the first women's college in the area to go coed. In 1972 Harmony expanded its postbaccalaureate courses for teachers, which had begun in 1965, to full-fledged masters programs. During the mid-1970s, Harmony offered a number of courses off campus, but later curtailed this activity. Harmony's program emphasis is described now as Catholic, ecumenical, value-oriented, career-directed liberal arts.

Harmony is located in an affluent region about 20 miles from a large city. Its grounds were once a fine estate, and one of its buildings, formerly the residence of the owner, has been designated an historic landmark. Other college buildings are functional, not fancy.

Branch campuses. Harmony offers a few courses off campus in two area businesses, and a number of televised courses through an area network. It does not have any campus other than the main one.

Competition. Although Harmony is in a populous area that supports a great many public and private postsecondary institutions, it is the only four-year college in its county, which also has three community colleges. It is also the only college for several adjacent counties that offers evening courses through which students can complete a four-year degree. Harmony attracts a number of transfers from the area community colleges.

At least one small liberal arts college in the area has closed in the past ten years, and several others are said to be ailing.

Enrollments and Students

The long-term enrollment trend line for Harmony in appendix A shows that it doubled in size in 1966. This is a headcount of students, and the increase is fully accounted for by part-time students. The strong inference is that the new postbaccalaureate evening courses of teachers begun in 1965 for in-service teachers created the increase. The number of full-time students has fluctuated, plus or minus 100, around 500 ever since 1959, reaching about 650 in 1979 and 1980. Much of the variance in FTE enrollments, shown in figure 1F, involves changes in the participation rate of part-time students. FTE enrollment dropped about 25% from 1973 to 1976, then climbed steadily to over 900 in 1979 and on to 1,100 in 1981.

Students. With its strong emphasis on continuing education during the past decade, Harmony's students are of two general types--traditional age group resident students and adults from nearby communities. Harmony focuses on serving its regional population for both types of students. The proportion of international students has grown in recent years to about 25-30%, and American minorities account for another 15-20%. Over the past two decades, Harmony has enrolled proportionally more adults, more men, more business majors, more graduate students, and more international students.

Many years ago, Harmony appears to have served primarily middle income students. It has made strong and apparently successful efforts for some years to serve a broader socioeconomic spectrum, aided by federal and state student aid programs. In 1981, 20% of Harmony's students received state aid totalling $220,000. The ability of the college to maintain this broader range of students is felt to be in jeopardy from several forces. Federal aid levels are in doubt, and the ceiling on state aid no longer reaches higher than Harmony's tuition rate. Harmony had kept tuition relatively low through the 1970s and had to raise tuition a total of 42% from 1980 to 1982.

The retention rate for students is approximately 40%. The college is gradually increasing its standards for admission, particularly in the business program.

Student life. In about 1967, Harmony officials noticed that the Catholic high schools in the region, the major sources of students for the college, were dwindling in size and changing in composition so that fewer students were likely to be available. They began a two-year process of discussion and consultation with faculty, students, alumnae, and trustees about the possibility of becoming coeducational. In 1969, before any apparent loss of students in the residence program, Harmony admitted its first male students. They now account for about 40% of the resident students. The major accompanying changes were increased athletic activities and more male faculty members and administrators.

Caring for students as individuals and collectively is a strong theme of the college. During the late 1960s and early 1970s, when students nationally were expressing concern about serious issues, Harmony held open meetings with diverse speakers and audience involvement to allow students to explore and understand their concerns. When American hostages were taken in Iran, and its internal politics were in disarray, the staff members in the English as a Second Language program took it upon themselves to contact each Iranian student individually to see if they needed any assistance. Friendship and banter among individuals from all sectors of the college is apparent to a campus visitor. Several

respondents expressed the strong commitment of the college to ensure that students have accurate prior information about the college. They conduct a student survey every year to make sure that recruiting publications and counselors have given new students an accurate pricture of what they found after arriving. They are also committed to following through on past promises to students when programs change or, on a couple of occasions, are dropped from the curriculum. As noted above, academic advising is "meticulous."

Faculty, Administrators, and Others

Several respondents independently commented that the general attitude of those at Harmony is that "we're all in this together." By that, they meant that everyone shares a single top priority--providing students with a good education that will enable them not only to make a good living, but to make a good life, as one respondent put it. As we shall see, the staff appears to be looking and listening constantly for ways to improve their educational and personal service to students.

Faculty. Harmony enjoys great advantage from its location, size, and style. It is able to attract highly talented faculty members, in part because the region's affluence and strong orientation toward education bring such people to the area. Some are spouses of faculty members at neighboring major research universities. All choose Harmony because they love to teach, and because they prefer a small, intimate environment.

Some of the faculty are members of the founding order. The personal characteristics that drew them to the order, and the values of the order expressed through them, are important themes in the life of the college. Their salaries are comparable to lay salaries, but an amount equivalent to the sum of their salaries ($97,000 in 1979) is returned to the college by the order as a "living endowment." The lay faculty are said to be equally dedicated to those values and to the college. They come to Harmony to teach and to get out of the highly political environments characteristic of many larger colleges, not for prestige.

Over half of the faculty (79% of the full-time teaching faculty) have doctorates. Harmony has a 60% ceiling on the tenure rate, but it had only 52% tenured in 1979 and 41% in 1980. Faculty salaries were frozen in the first half of 1975, but the college has tried for the past several years to bring them up. The inflation rate in the region is so high that it is nearly impossible to keep up with it, however. About 27% of the full-time equivalent faculty are part-time, which affords the college one kind of flexibility--as programs change, it is relatively easy to change faculty accordingly. Part-time faculty also provide diversity for small departments.

Another kind of flexibility arises from the faculty attitude toward change. They, like others at Harmony, welcome any change that will improve their ability to serve students. When it became clear that the home economics program was no longer viable, for example, even the home economics faculty concurred in the decision. The general attitude in faculty meetings was described by one member as, "How could the administration cope with this situation?" rather than focusing solely on issues of faculty welfare.

A new kind of flexibility, recently established, is a visiting scholar program. Through this special fund, Harmony hopes to attract a

series of noted scholars from other universities in the area to teach one course at Harmony.

The only cloud on the horizon is that some liberal arts faculty members are beginning to feel some threat from the increasing national emphasis on career programs in the past few years. Whether that cloud will become a storm remains to be seen, but it seems improbable.

Administrators. Harmony's president must be a member of the founding order. The sister who served in that capacity from 1956 through 1980 still lives on the campus, as do other sisters in the college, and still advises and assists primarily with external relations. Her most immediately apparent characteristics, in addition to devotion to Harmony, are optimism, industriousness, and decisiveness. She is strongly convinced that it is important to accentuate the positive and to plan on being successful in collegiate endeavors, with the expectation that this attitude plus hard work will create self-fulfilling prophecies. Her successor is relatively young, but has had a good deal of educational administrative experience including prior service at Harmony. She served with the prior president for several months after her appointment, and during that time she went to visit with each member of the governing board to discuss her priorities and theirs. Harmony has had some administrative turnover since she took office, and it is too soon to try to characterize her administration except to say that it appears to be in the tradition of her predecessor.

The academic dean has served at Harmony for many years, and she too is a sister in the order. Her education as an academic administrator was excellent, and she appears to know what to do with that education. Her 1981 dean's report to the college includes a great deal of historical and comparative enrollment data, as well as information on status and changes in physical facilities, curriculum, student services, faculty, administration, and goals. Apparently, she prepares these reports personally and uses the data to ensure that the college is on track in setting and achieving its goals. She determined, for example, that a 1:20 faculty-student ratio is necessary in order for a program, or the college as a whole, to be cost-effective. This guideline is used to help assess program viability.

The dean seems to be equally skilled when it comes to intuition and foresight. She is said to read everything and listen intently, synthesizing what she learns to help determine needed program changes. Recently, she surveyed representatives of over 100 area businesses for their reactions to the utility of a proposed computer science program.

The business office was staffed prior to 1975 with individuals who did not have specific training for the position. Then a former auditor for the college was hired as comptroller, serving until 1981. In 1980, Harmony hired a vice-president for business. His current priority is to establish a participative budget process. The comptroller had initiated a number of budget control measures as well as a deferred payment plan, and he seems to have centralized financial decisions more than some college members thought wise. The participative budget process is an attempt to re-open communication and shared decisionmaking regarding the budget.

The development function was staffed on an ad hoc basis, if at all, before 1975. At that time a part-time professional development officer was hired who still serves in that capacity. With a development budget of $40,000-50,000 annually, the college has raised over $1 million in each of the past three years.

Harmony established its admissions office in 1967. Its current director is an alumna who has served in admissions since 1968. As we have already noted, admissions people place very high priority on honest recruitment, making sure that they provide an accurate picture of the college to potential students.

The director of continuing education plays an important role at Harmony, with its current emphasis on evening and part-time enrollment. The position was staffed for some years by a much-loved woman who died in 1981. Her successor places very high priority on student satisfaction with instruction. In her first semester on the job, she personally visited four classes after hearing student complaints. In one case, when a professor had missed several classes, she required him to schedule extra sessions. If she finds that student complaints are justified and are not so readily remedied, she does not rehire the professor.

Respondents described a good deal of informal exchange among administrators and between administrators and faculty. The fact that nearly all administrators, including the president, share an office with their secretaries is indicative of the close working relations of the staff, as well as of the recent college growth which has made economical use of available space necessary.

Trustees. In the past, Harmony had a Board of Trustees, composed mainly but not entirely of sisters, and a lay advisory Board of Regents. In the mid-1970s these groups were combined to form a governing board. Only when legal arrangements require it does the Board of Trustees meet separately. Regents are especially important for their connections and personal financial ability, and this change enables them to play a larger role in the college. The financial contributions and the leadership of the governing board are said to be excellent, and to have improved in recent years. The chairman of the Trustees and Governance Board is the Board chairman of one of the largest business corporations in the United States.

Constituents. The community and surrounding towns are very important to Harmony for their potential students, potential employers of students, and, increasingly, financial contributions. Harmony is beginning to cultivate business people, and local leaders, and potential major donors as friends of the college. The academic program is designed to be of service to people in the area, and college facilities are made available for community use.

Given that enrollment of four-year day students began as recently as 1951, and the still more recent development of the strong continuing education program, Harmony's alumni list is small. Since many graduates have gone on to teaching, public service, and homemaking, their potential for major contributions to the college is small. Nonetheless, Harmony has a growing alumni program.

Academic Programs

If one listed the changes in degrees offered at Harmony during the past twenty years, it would give the impression that Harmony has undergone a great deal of program change. The impression would be deceptive because each change has been deeply rooted in Harmony's past practice and because each was initiated through a cautious toe-in-the-water process. In addition to formal periodic curriculum review, programs receive continuous

review for both their enrollment levels and for their content. The liberal arts core has been retained. Perhaps these measures account for Lewis B. Mayhew's description of Harmony as "one of the few colleges that did not relinquish its traditional mission but tried some new ventures in a prudent and successful way" (personal communication, February 1982). The phrase that seems best to sum up what Harmony has done in academic programs is "anticipatory adaptation."

In 1951, when the college added baccalaureate level study, it built from the fine and liberal arts with a strong teacher education orientation. It eased into postbaccalaureate programs for teachers in 1961. The first business program had operated for a number of years before its orientation was shifted from secretarial to management in 1967, serving as an important aspect of Harmony's attractiveness to the male students admitted two years later. Masters programs began in 1972 for teachers and business students. Each current masters program was an extension of an existing undergraduate program.

Meanwhile the evening division, begun in 1955, served as a useful vehicle for subsequent development of postbaccalaureate programs. It evolved into a continuing education degree program for adults who had completed the first two years of college study in 1967--thus appealing to many community college graduates in the area.

Building from its early history in education, business, home economics, and social service--and in accordance with one of the stated "Aims of the College"--Harmony has remained career oriented. Interior design grew out of home economics, computer science out of mathematics and business. A strong and perhaps unusual career development program at Harmony requires all students to earn at least three credits through study or practice that relates directly to career opportunities in their field.

The criteria applied to program changes are need, the capacity of the college to provide sufficient resources to support the program, and cost-effectiveness. Need is substantiated through student demand, employment opportunities in the area, and assessment of what is offered by neighboring colleges. Harmony has dropped a number of its off-campus courses, home economics, social welfare, and environment/outdoor education, usually before they became entrenched in the institution through tenured faculty and other factors that make it difficult to pull out of an area. Harmony enters each new program, however, with full determination to make a go of it as well as full intention to let it go if things do not work out as planned. They tend to start programs with a course or two and part-time temporary, or temporarily reassigned faculty.

Planning

We had the impression that Harmony engages in what we came to call "organic strategic planning." Strategic planning is a hot new topic in higher education, consisting primarily of achieving a simultaneous match among three key factors: mission, resources, and environment. Authors and consultants have sprung up all over the country since about 1978 with systems for explaining and implementing a strategic planning process in a college or university. Their systems seem artificial and superficial when compared with what Harmony has been doing all along, but the concept is the same--hence, the term organic strategic planning.

Keeping an ear to the ground for changes in the environment of potential students and potential employers of students seems to be an implicit part of everyone's job description at Harmony. This is motivated not by fear of decline, but by eagerness to serve. Yet each potential change is tested against the mission of the college and its capacity to implement and sustain the change. We found no particular formal planning process for this, but plenty of evidence that it has happened, as outlined in the academic programs section.

We were puzzled for awhile in our attempts to define what composed the constant core around which all this change had occurred. Harmony certainly did not find its identity over the long term in its status as a women's college--that changed. Perhaps the core is partly in its liberal arts focus, which continues. Most importantly, the college has stayed centered on other aspects of its mission, including a values orientation in its curriculum and operations, dedication to serving the best interests of students, and providing plenty of individual and personal attention to students.

Financial Situation

Harmony was selected for this study because it experienced decline in total revenues between 1973 and 1976, as shown in figure 1F. Thereafter, total revenues have increased in both current and constant dollars. Total expenditures exceeded total revenues in 1972, 1975, and 1976.

Operating budget. During the 1956-1980 administration, the college made a point of trying to balance the budget every year, and it usually succeeded. A 1981 document points out that the college had no accumulated operating deficit at the time it was written.

Not only was there no crisis in Harmony's past, some respondents were not even aware of any serious financial difficulty--unlike the other colleges in this study. During the 1973-76 period for which it was selected into the study, total expenditures exceeded revenues by a large sum, $100,000, only in 1975. Without a history of operating deficits, this proved to be tolerable. Except for a projected half-year salary freeze, which was not implemented, Harmony coped with declining revenues that year largely outside the educational and general budget, which is the area in which expenditure reductions would have been most obvious to the college community. Although in 1975 revenues were up only 5% from the 1972 level and total expenditures were up 9% from 1972, educational and general expenditures were up 20%. Savings appear to have been achieved in institutional support and auxiliary enterprises, while increased revenues from endowment began to build. Temporary financial problems seem to have occurred in part because of a drop in part-time enrollment, although tuition revenue continued to rise. The revenue components that did not rise at that time were gifts and endowment, and there was a temporary drop in grant funds for two years.

The college is said to have entered full participation in federal student aid programs relatively late, and so it has not received as much from that source as it might have. Harmony does benefit from a state student aid program that provided $220,000 to its students in 1980. Student aid is a high priority for additional funding in the college, which has begun to seek foundation support for that purpose. An additional advantage at Harmony is the contribution of sisters' salaries from the order.

Capital. The college campus includes 100 acres and 32 buildings, most of them built before 1970 and many either recently renovated or scheduled for renovation when funds are available. Even in physical facilities, Harmony shows evidence of what we have called anticipatory adaptation--residence halls built in 1966 are apartment-style, a form that was not widely adopted until a decade or more later but is highly attractive to students. The 1956-80 president refused to build or renovate facilities until funds were in hand, although she apparently relented in connection with the mid-1960s residence hall construction. The college still owes $750,000 on 50-year bonds at 3%. Over $1 million was raised and spent between 1978 and 1982 for renovations. In the area of capital equipment, the college recently received a $100,000 grant for science equipment and minicomputers for instruction. $200,000 has been raised to modernize the science facilities.

Endowment value ten years ago was $200,000. The endowment is now worth over $1.6 million, much of that increase coming in the past three years.

Perceived financial condition. Respondents generally felt good about the financial position of the college, but many expressed concern about recent tuition increases coupled with apparent decline in available financial aid. Collectively, the attitude seemed to be cautious optimism about financial affairs.

Commentary on Harmony College

It is inappropriate to try to describe the causes of decline at Harmony and the college's responses. With the possible exception of a few top administrators, no one perceived decline there. Any financial difficulty caused by declining revenues was minor in its effects on the college and in its power as a stimulus for response. Rather, what is of interest in Harmony's experience is what it implies about the role of anticipatory, organic strategic decisions as possible preventive measures for decline.

A college can make major academic changes that appeal to new clientele while remaining true to its mission. During the last fifteen years, Harmony has offered its first graduate programs and its first non-residential baccalaureate degree program in seven fields. It has gone into the field of business management through the MBA degree with great success. It has expanded greatly its explicit and implicit career-oriented programs. The clientele to whom these changes are designed to appeal is vastly different from the women undergraduates in liberal arts who used to make up the student body.

These changes have succeeded in part because college personnel have proven exceptionally able in determining what programs were needed in order to appeal to sets of potential students whom they had not tapped. Equally important, perhaps, is the fact that the college attempted virtually nothing with which it had not had some kind of prior history. This enabled participants in the changes to feel that they understood how the change fit with the overall mission of the college. It also enabled the college to profit from what participants had already learned about the direction in which the college was moving.

The mission of the college was defined not in terms of its clientele or its programs, but in terms of its values, resting on the cornerstone of service to students. Although stating those values is an exercise in abstraction, the people of the college live by and understand them. So they are real, though abstract. That kind of mission almost demands flexibility and change in the institution in order for it to keep up with the changing needs of students. Yet Harmony, unlike a number of other colleges, seems to have responded to the increased need among students for career preparation without having lost sight of another fundamental institutional value--providing not just postsecondary vocational education, but higher education as it has been traditionally understood.

Investing energy and interest in people and their relationships to each other and the college may be the most important factor in successful institutional change. It's hard to imagine Harmony's administrators taking anyone, in any capacity, off the permanent payroll without having made every effort to improve their performance or find another place for them. In fact, it was here that we started thinking about an analogy with the Japanese philosophy of the workplace as extended family. According to human development theory, when people feel valued and accepted, they are more ready to accept change in their situation and in themselves. According to interest group theory, people will seek to protect their own interests, especially when those interests are threatened by change. Typically, that means that change is difficult to achieve in an organization. But when the organization's decisions are consistently based on the interests that attracted people to participate in it, and when they are broadly defined and applied with compassion, the group is unified, not divided, when change is desirable for the organization.

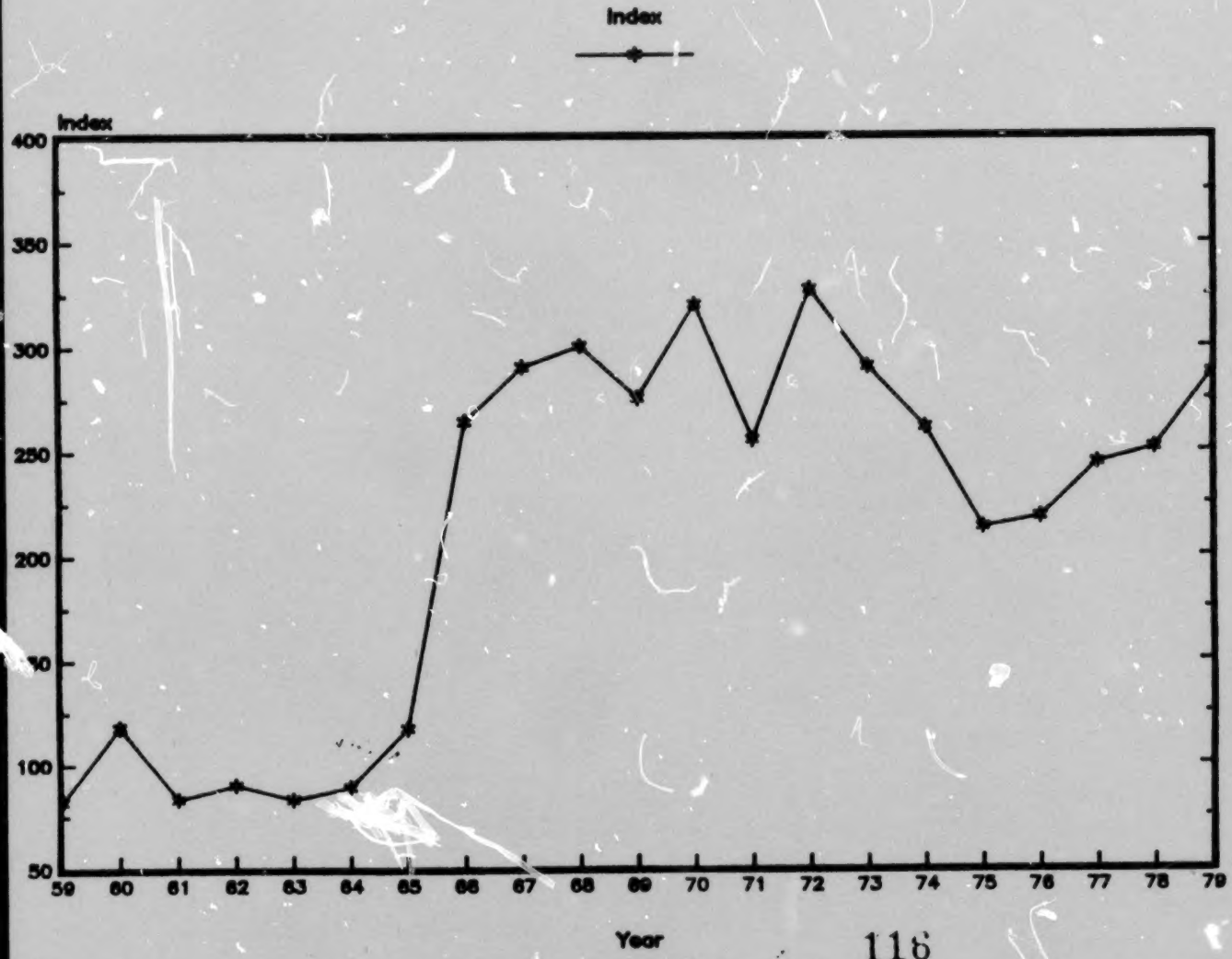
Vitally important at Harmony as part of this caring for people is the fact that people listen to one another and seek out opinions about how things are going and what changes are needed to make them better. This can have dual impact. It makes people feel that they are important in the organization, that as individuals they can contribute to its welfare, and it provides continuous evaluative feedback which allows the organization to check itself early if it starts down an unproductive path or to identify areas that have been overlooked.

Strategic planning does not require formal models and systems of interaction. Perhaps in a college whose personnel are not oriented toward the environment and toward achieving a better fit of the institution with the environment, a formal, structured strategic planning process is necessary at first--a kind of behavior modification program to get them started in the right direction and looking at the right data. As the process is repeated time after time, they may internalize what it means and become free of the structure without forgetting what they learned. Then they are in a position to be sufficiently creative and sensitive to accomplish the apparent aims of strategic planning. But if the environment rarely provides strong signals, and if existing signals come at unexpected places and times, standard procedures are unlikely to pick them up. So until participants have incorporated the meaning of what they are doing and why, until they have fine-tuned their personal capacities to seek out and read subtle signals, they may not find formal systems of strategic planning particularly helpful.

FIGURE 1F

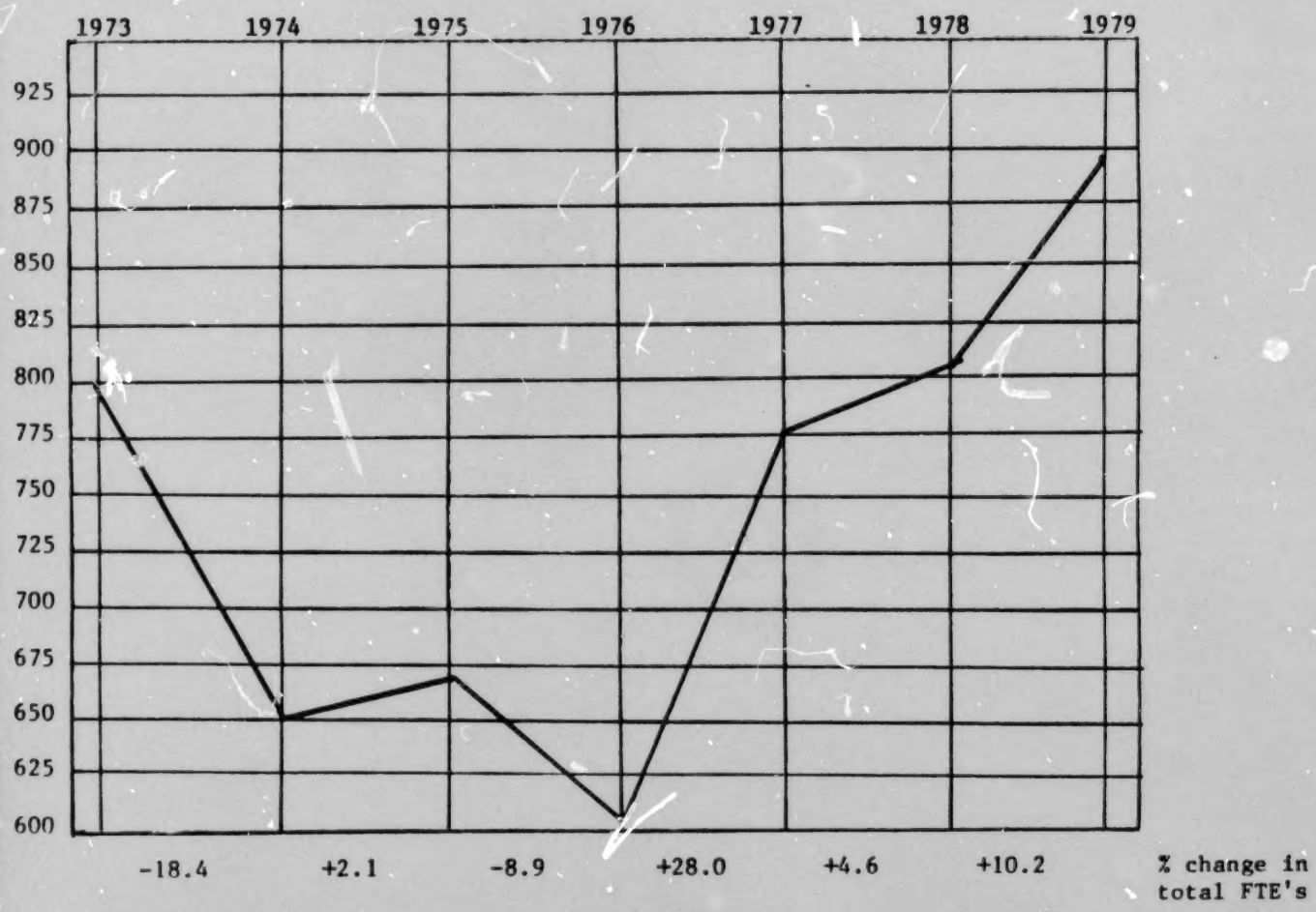
Indexed* Headcount Enrollments (1959–1979)

Harmony College



*Index based on average of first two years data

Figure 2F. Harmony College: Total Full-Time Equivalent Student by year 1973-1979



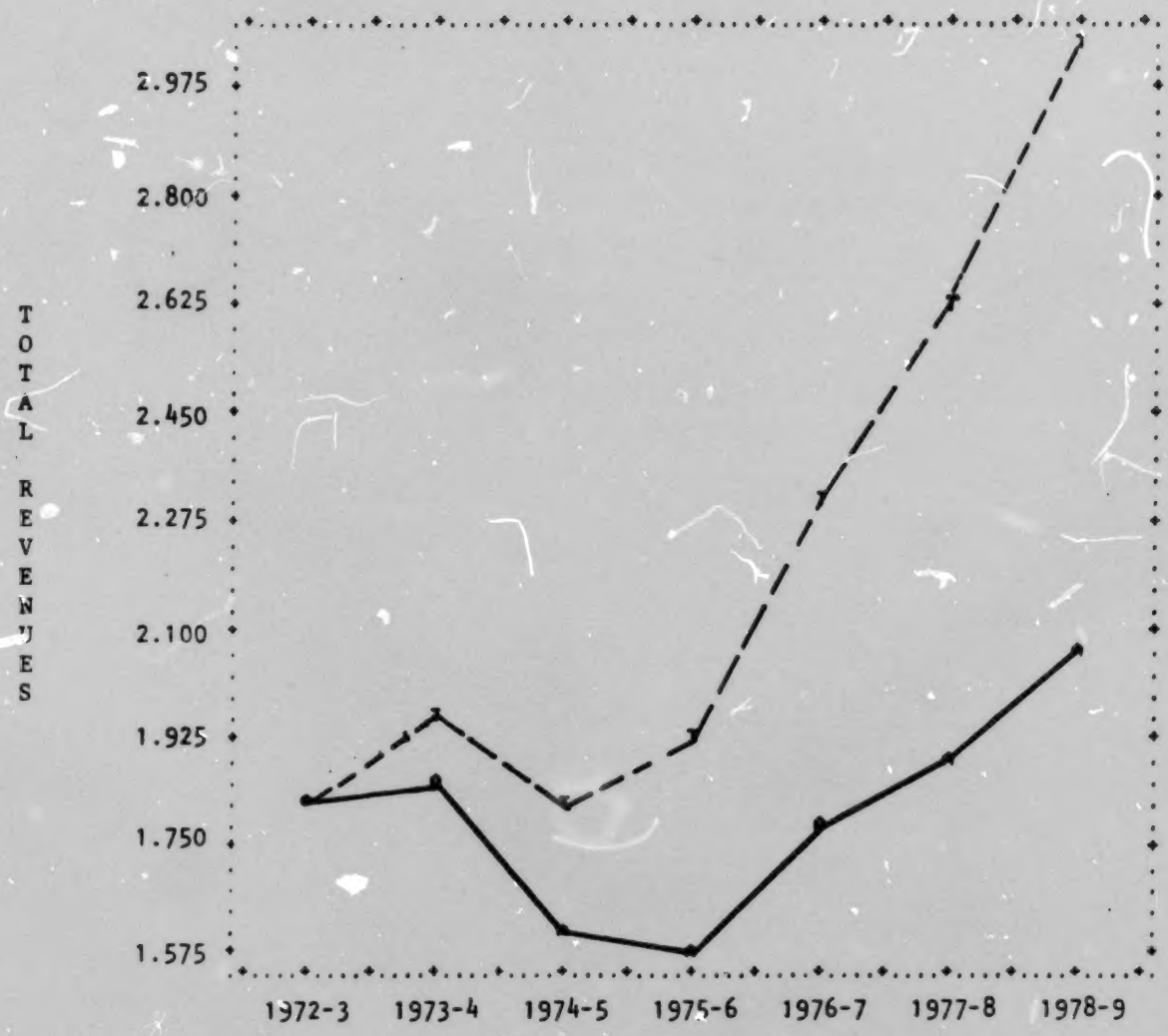


Figure 3F. Harmony College 1973-1979 Revenue Trends

T = Total revenues
A = Total revenues adjusted for inflation (HEPI)

Table 1F. Harmony College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants & Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	1,067,922	6,783	26,249	7,131	165,798	445,191	1,719,074
73	1,200,858	7,474	30,241	6,800	131,292	430,668	1,807,333
74	1,321,788	5,000	8,153	11,083	164,986	453,769	1,964,779
75	1,275,596	0	5,237	13,283	167,788	348,890	1,810,794
76	1,333,087	0	25,065	15,871	136,597	419,856	1,928,476
77	1,515,021	0	88,531	19,928	186,907	499,117	2,309.504
78	1,845,165	0	61,322	24,990	143,621	560,732	2,635,830
79	2,143,168	0	57,093	35,244	168,132	633,043	3,036,680
80	2,614,833	0	78,655	36,912	609,197	771,849	4,111,446

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	716,383	35,073	0	132,136	353,880	NA	NA	NA	122,847	1,339,652	1,743,336
73	712,440	33,481	0	142,819	430,242	NA	NA	NA	113,130	1,417,953	1,790,605
74	669,277	8,153	0	161,775	432,411	NA	NA	NA	132,413	1,393,702	1,816,007
75	715,083	548	140,717	197,138	293,603	51,258	89,358	122,688	NA	1,610,389	1,916,421
76	725,580	367	0	226,524	274,126	61,921	152,378	165,013	NA	1,605,849	1,936,734
77	785,635	0	0	289,827	344,122	82,167	166,299	177,876	NA	1,845,926	2,225,337
78	894,101	0	0	381,967	386,929	115,241	182,251	214,784	NA	2,175,273	2,571,701
79	1,080,187	0	0	515,306	453,438	128,948	200,078	250,461	NA	2,628,418	3,095.007
80	1,257,011	0	0	870,374	555,623	115,188	245,159	326,092	NA	3,369,447	3,979,362

Table 2F. Harmony College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	62.1	.4	1.5	.4	9.6	25.9
73	66.4	.4	1.7	.4	7.3	23.8
74	67.3	.3	.4	.6	8.4	23.1
75	70.4	0.0	.3	.7	9.3	19.3
76	69.1	0.0	1.3	.7	7.1	21.8
77	65.6	0.0	3.8	.9	8.1	21.6
78	70.0	0.0	2.3	.9	5.4	21.3
79	70.6	0.0	1.9	1.2	5.5	20.8
80	63.6	0.0	1.9	.9	14.3	18.8
$*\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	41.1	2.0	0.0	7.6	20.3	NA	NA	NA	7.0	76.8
73	39.8	1.9	0.0	8.0	24.0	NA	NA	NA	6.3	79.2
74	36.9	.4	0.0	8.9	23.8	NA	NA	NA	7.3	76.7
75	37.3	.0	7.3	10.3	15.3	2.7	4.7	6.4	NA	84.0
76	37.5	.0	0.0	11.7	14.2	3.2	7.9	8.5	NA	82.9
77	35.3	0.0	0.0	13.0	15.5	3.7	7.5	8.0	NA	83.0
78	34.8	0.0	0.0	14.9	15.0	4.5	7.1	8.4	NA	84.6
79	34.9	0.0	0.0	16.6	14.7	4.2	6.5	8.1	NA	84.9
80	31.6	0.0	0.0	21.9	14.0	2.9	6.2	8.2	NA	84.7
$*\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

$*\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3F. Harmony College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$1,930.64	$1,145.40	NA	NA	622
74	$2,027.28	$1,026.50	NA	NA	652
75	$1,915.31	$1,073.70	$ 76.96	$184.22	666
76	$2,196.19	$1,195.35	$102.01	$271.85	607
77	$1,949.83	$1,011.11	$105.75	$228.93	777
78	$2,269.58	$1,099.76	$141.75	$264.19	813
79	$2,391.93	$1,205.57	$143.92	$279.53	896
80	$2,485.58	$1,194.88	$109.49	$309.97	1,052

Table 4F. Harmony College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue		Gifts Revenue		Endowment Revenue		Total Revenue		Total TOTFTE	
1971-72	$1,067,922		$165,798		$7,131		$1,719,074			
	100.0		100.0		100.0		100.0			
1972-73	$1,200,858		$131,292		$6,800		$1,807,333		622	
	112.4	12.4%	79.2	-20.8%	95.4	-4.6%	105.1	5.1%	100.0	
1973-74	$1,321,788		$164,986		$11,083		$1,964,779		652	
	123.8	10.1%	99.5	25.7%	155.4	63.0%	114.3	8.7%	104.8	4.8%
1974-75	$1,275,596		$167,788		$13,283		$1,810,794		666	
	119.4	-3.5%	101.2	1.7%	186.3	19.9%	105.3	-7.8%	107.1	2.1%
1975-76	$1,333,087		$136,597		$13,871		$1,928,476		607	
	124.8	4.5%	82.4	-18.6%	194.5	4.4%	112.2	6.5%	97.6	-8.9%
1976-77	$1,515,021		$186,907		$19,928		$2,309,504		777	
	141.9	13.6%	112.7	36.8%	279.5	43.7%	134.3	19.8%	124.9	28.0%
1977-78	$1,845,165		$143,621		$24,990		$2,635,[illegible]		813	
	172.8	21.8%	86.6	-23.2%	350.4	25.4%	153.3	14.1%	130.7	4.6%
1978-79	$2,143,160		$168,132		$35,244		$3,036,680		896	
	200.7	16.2%	101.4	17.1%	494.2	41.0%	176.6	15.2%	144.1	10.2%
1979-80	$2,614,833		$609,197		$36,912		$4,111,446		1,052	
	244.9	22.0%	367.4	262.3%	517.6	4.7%	239.2	35.4%	169.1	17.4%

Table 5F. Harmony College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$1,339,652		$1,743,336	
	100.0		100.0		100.0	
1972-73	$0		$1,417,953		$1,790,605	
	.0	.0%	105.8	5.8%	102.7	2.7%
1973-74	$0		$1,393,702		$1,816,807	
	.0	.0%	104.0	-1.7%	104.2	1.4%
1974-75	$51,258		$1,610,389		$1,916,421	
	.0	.0%	120.2	15.5%	109.9	5.5%
1975-76	$61,921		$1,605,849		$1,936,734	
	.0	20.8%	119.9	-.3%	111.1	1.1%
1976-77	$82,167		$1,845,926		$2,225,337	
	.0	32.7%	137.8	15.0%	127.6	14.9%
1977-78	$115,241		$2,175,273		$2,571,701	
	.0	40.3%	162.4	17.8%	147.5	15.6%
1978-79	$128,948		$2,628,418		$3,095,007	
	.0	11.9%	196.2	20.8%	177.5	20.3%
1979-80	$115,188		$3,369,447		$3,979,362	
	.0	-10.7%	251.5	28.2%	228.3	28.6%

Table 6F. Harmony College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr	Market Value Beg of Yr	Book Value End of Yr	Market Value End of Yr	Yield
1971-72	$207,434 100.0	$199,422 100.0	$236,370 100.0	$227,611 100.0	$8,430 100.0
1972-73	$236,370 113.9 13.9%	$227,611 114.1 14.1%	$211,724 89.6 -10.4%	$218,590 96.0 -4.0%	$9,410 111.7 11.7%
1973-74	$211,724 102.1 -10.4%	$0 .0 -100.0%	$282,665 119.6 33.5%	$0 .0 -100.0%	$16,756 198.8 77.9%
1974-75	$282,665 136.3 33.5%	$257,894 129.3 .0%	$332,529 140.7 17.6%	$343,601 151.0 .0%	$14,609 173.3 -12.8%
1975-76	$332,529 160.3 17.6%	$343,601 172.3 33.2%	$434,001 183.6 30.5%	$493,632 216.9 43.7%	$16,951 201.1 16.0%
1976-77	$434,001 209.2 30.5%	$493,632 247.5 43.7%	$544,337 230.3 25.4%	$601,629 264.3 21.9%	$22,489 266.8 32.7%
1977-78	$544,337 262.4 25.4%	$601,629 301.7 21.9%	$647,742 274.0 19.0%	$648,281 284.8 7.8%	$24,990 296.4 11.1%
1978-79	$647,742 312.3 19.0%	$648,281 325.1 7.8%	$662,070 280.1 2.2%	$676,488 297.2 4.4%	$47,149 559.3 88.7%
1979-80	$662,070 319.2 2.2%	$676,488 339.2 4.4%	$676,258 286.1 2.1%	$691,000 303.6 2.1%	$49,226 583.9 4.4%

Table 7F. Harmony College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr		Additional Borrowed		Payments Made		Balance Owed End of Yr		Interest Payments	
1971-72	$1,029,000		$0		$23,000					
	100.0		100.0		100.0					
1972-73	$1,006,000		$0		$26,000					
	97.8	-2.2%	.0	.0%	113.0	13.0%				
1973-74	$980,000		$0		$27,000					
	95.2	-2.6%	.0	.0%	117.4	3.8%				
1974-75	$953,000		$0		$27,000		$926,000		$0	
	92.6	-2.8%	.0	.0%	117.4	.0%	100.0		100.0	
1975-76	$926,000		$0		$24,000		$902,000		$26,925	
	90.0	-2.8%	.0	.0%	104.3	-11.1%	97.4	-2.6%	.0	.0%
1976-77	$902,000		$0		$27,000		$875,000		$26,304	
	87.7	-2.6%	.0	.0%	117.4	12.5%	94.5	-3.0%	.0	-2.3%
1977-78	$875,000		$0		$27,000		$848,000		$25,509	
	85.0	-3.0%	.0	.0%	117.4	.0%	91.6	-3.1%	.0	-3.0%
1978-79	$848,000		$0		$27,000		$821,000		$24,714	
	82.4	-3.1%	.0	.0%	117.4	.0%	88.7	-3.2%	.0	-3.1%
1979-80	$821,000		$0		$28,000		$793,000		$41,050	
	79.8	-3.2%	.0	.0%	121.7	3.7%	85.6	-3.4%	.0	66.1%

PRAIRIE COLLEGE

PROFILE

Location:	Small town, Midwest
Type:	Liberal Arts I, Independent
1980 enrollment:	976 FTE
Date founded:	1837
1981 cost:	$7,700 (tuition, room, and board) About 2/3 of students on financial aid

The Story of Prairie College

Prairie is one of two highly selective colleges in this study, located on 60 acres in a small town and agricultural area 170 miles from a major city. During most of its long history, Prairie has been known not only for its strong liberal arts education, but also for its members' support of human rights and for its relationships with noted literary figures. In recent years the people at Prairie have explicitly rejected "creeping careerism," choosing instead to reaffirm and reinvigorate the liberal arts curriculum, even if that meant lower enrollments than a more vocationally oriented curriculum might attract.

Branch campuses. The college offers two European programs in connection with universities there, where students may spend a year abroad in study. It has no other campuses, nor does it offer courses elsewhere. It does have a number of cooperative programs through which students may study at major research centers and universities and in nine foreign countries.

Competition. The major alternative choice for Prairie applicants is the flagship university of the state. In addition, they consider a large number of other small private liberal arts colleges in the Midwest. Price is the primary attraction of the state university, while highly intangible and little-understood factors account for student choice among the colleges that are similar to Prairie. One respondent noted that competition in that sector had increased between 1969 and 1975, with the creation of 25,000 new places in selective liberal arts colleges nationally--either through expansion or through new institutions.

Enrollments and Students

Prairie grew steadily from 900 students in 1959 to about 1,400 in 1970 (figure 1G). From that peak it began to shrink just as steadily and at about the same rate as it had grown, to 976 full-time equivalent (FTE) students by 1980. Part-time students have never been a significant factor in Prairie's enrollment.

Students. About two-thirds of Prairie's students are in-state, many of them from suburbs of the nearest major city. A 1976 document reported that total financial aid to students stood at $1.6 million, $650,000 of which was from institutional sources. Prairie now offers Presidential Scholarships, of $2,000, based on ability. State financial aid to half of Prairie's students totaled $675,000 in 1977.

Admissions standards may have dipped slightly in the early 1970s, but selectivity at Prairie is said to have "fluctuated around a high mean" throughout its history. Faculty believe that current students are as able as any Prairie has had. Student retention at Prairie is higher than that of any other college in its regional association. About 40% of the students go immediately on to graduate school after studying at Prairie. Eighty percent have done graduate work within five years of graduation.

The rate of enrollment for international students has risen noticeably since 1978, standing now at 9% of the student body, through informal peer recruiting rather than by explicit efforts of the admissions office. The international students are bright and typically do not have language problems that interfere with their ability to participate fully in the college. Many of the faculty are enthusiastic about this development, but some are nonetheless interested in ensuring that the college maintains a proper balance of American and international students.

Student life. In 1974, acknowledging the increasing student concern about post-graduate employment, Prairie established a career planning center which has helped students discover their own interests and how they might find suitable employment. Students seem to be serious about their studies, involved in campus governance, and active in intramural and inter-collegiate sports. One respondent noted that there is no adversarial relation between students and staff--"they know we're working for them."

Faculty, Administrators, and Others

Faculty. About 90% of the faculty hold doctorates. Noting the strong teaching orientation of the faculty, one respondent commented tongue in cheek that "we must have been improperly socialized in graduate school." Nearly all faculty are full-time. In recent years, scholarship has received greater emphasis as a component in tenure and promotion decisions. Support for faculty travel and access to secretaries have increased. The college offers faculty sabbaticals.

In the mid-1970s, with three-fourths of the faculty tenured, and nearly 60% of them in the upper two ranks, Prairie initiated an early retirement program and increased the probationary period for junior faculty from six years to eight. The tenure rate has dropped somewhat since then. The college has not cut back the faculty, but replacing departed faculty is said to have been delayed on occasion and more often done at junior levels.

During the 1960s, faculty qualifications and faculty salaries seem to have been high on the president's priority list. By 1970, salaries at Prairie were among the highest in its regional association. In 1972 there was some reduction in retirement benefits. In 1973 faculty salaries were frozen, followed by a year of token increases. Salaries have since climbed back to the mid-point of the regional association, averaging $21,500 in 1981, and fringe benefits increased.

The faculty as a group is fully dedicated to liberal learning. They supported--perhaps led--in the rededication of the college to the liberal arts in 1974. Some feel so strongly about this that there are reportedly continuing debates about whether accounting and education have a rightful role in the curriculum.

Administrators. Prairie's president from 1949 to 1973 is credited with restoring the college to the national reputation it enjoyed early in this century. He is said to have been a man of vision, fatherly (some said "autocratic") in his leadership style. By the end of the 1960s, his vision was that the college would grow to 1,800 students, and he began construction of facilities to accommodate that many students, using borrowed funds. He is said to have disliked fund-raising himself, but he is credited with promoting the solicitation of deferred gifts. He also began to travel a great deal in connection with his roles in national higher education associations--to the extent that finally in 1972 members of the college gathered and asked him to curtail his travels. They had begun to feel that there was no one at the helm. He responded to this request, but in 1973 he died.

A recently retired, much beloved academic dean was recalled as acting president while the college searched for a new president. The trustees had noted a $480,000 deficit in 1972 with alarm, and they were not comforted by the $250,000 deficit in 1973. They found a president who was a liberal arts scholar, a faculty member who happened to have played important roles in a number of fund-raising efforts at other institutions. This president, who resigned in 1982 to join the faculty at a nearby major university, is also described as an exceptionally able communicator who is easy to talk to and highly accessible to members of the college community.

Since 1974, a number of administrative areas have increased in personnel and/or budgets: development, admissions, public relations, grounds, accounting, and the library. The areas which have received particular emphasis and are credited with important improvements are admissions, financial affairs, and development. The changes are characterized generally as increases in the professionalism of the incumbents, their predecessors having had significantly less training and experience in the functions they were asked to perform.

The admissions office, like many others in similar colleges, had been staffed with young people who were thought to relate well with prospective students. There was high turnover in these positions. Both in the admissions office and in the college at large, the attitude toward potential students remained one of selection, rather than recruitment, until the office was restructured and restaffed in 1980.

The new admissions director has staffed the office with professional admissions counselors, and he has seen to it that they can answer questions for students and parents accurately and quickly. For example, counselors can immediately calculate an estimate of expected parental financial contributions. Financial aid is now part of the admissions office. Publications and information processing have been improved.

Chief business officers are said to have been successively better in the past fifteen years. Some years ago, the accounting system was apparently so complex as to be useless in providing management feedback. Now, however, the chief business officer is well-qualified and well-organized. His dissertation dealt with financial health in small private colleges, and he analyzes financial data at Prairie to assist in management decisionmaking.

The development office at Prairie has been increased and is now led by a graduate who was a successful development officer at a major private university. The president himself has played a major role in fund-raising. Successes in this area during his administration have been very important in relieving the pressure to keep enrollments and tuition revenues unrealistically high.

Trustees. During the previous administration, trustees are said to have been good, concerned people who were kept in the dark about the true financial condition of the college. They were loyal and dedicated to the college, but played little role in management and fund-raising. The new president explained the situation to them as he saw it in 1974, and the trustees assisted in a successful capital campaign. They are said to be increasingly involved in supporting the college both by their leadership and financially.

Constituents. Prairie and its community seem to have a cordial, but not close, relationship. Many years ago, Prairie was closely involved with its region, particularly through its church affiliation (although church control of the college ended in 1870) and its programs in debate, theater, and other public events. These activities receded, as did Prairie's relationship with the church and the locale. Some efforts are now underway to become more active in community relations.

Alumni were not developed as a constituency at Prairie until the 1970s. Annual giving has more than doubled in recent years, but has reached a plateau. Prairie administrators learned through the capital campaign and annual giving program what they believe to be the ability of alumni to give to the college, and they do look to this constituency for untapped major gift potential.

Academic Programs

Curriculum changes at Prairie have not taken the form of added and deleted programs, except for the reinstallation of classical studies in 1976. This does not mean, however, that the curriculum has not come in for a good deal of attention in the past decade.

By the early 1970s, Prairie had incorporated computer science in the mathematics department, and it has included computer literacy as a required skill for all students since 1976. In 1973, Prairie decided to offer the first year curriculum for medical students in conjunction with a major medical school in the region. This relationship has benefited Prairie students who also take the classes, and some of them have been accepted at the medical school. As a result of major curriculum and mission reassessment during 1974, Prairie's commitment to general education was renewed, values seminars were established, and a multi-disciplinary core course for all freshmen was developed with the help of foundation grants. Some of these changes had the dual effect of revitalizing the meaning of liberal education at Prairie and fostering the sense of community that arises from shared experiences.

Unlike many other colleges in the early 1970s, Prairie did not reduce its general education requirements, including the need for foreign languages. A 1978 curriculum decision reaffirmed those, specifying the proficiencies and course distribution required of all graduates. By 1980, the twin themes of internationalism and inter-disciplinary studies were emerging throughout the curriculum.

In summary, Prairie's response to the forces that moved many liberal arts colleges away from their traditional mission in the 1970s was to ride them out, rather than roll with them. They did not do so with blinders on, however. They took steps to acknowledge and deal with students' vocational interests both by establishing the career planning center and by articulating more clearly how a Prairie education suited its graduates for careers. They sought to enliven the curriculum with freshman multi-disciplinary courses. They also recognized that this direction implied probable enrollment stabililty or decline, and planned accordingly.

Planning

The acting president in 1973 initiated a long-range planning process with widespread college participation which began with the arrival of the new president, who served on the steering committee. The final report of the committee shows that they felt they had a choice between size and mission--that choosing to continue with "pure" liberal arts meant risking continued decline in enrollments. They chose to take that risk, and in their further deliberations they laid the groundwork for trying to minimize its effects. Admissions improvement, alumni relations, career planning, freshman multi-disciplinary courses, and a number of other areas were suggested.

Financial Situation

In constant dollars, Prairie's total revenues declined from 1973 through 1975, levelled through 1978, and dipped down in 1979, as shown in figure 3G. In three years, 1972, 1973, and 1974, total expenditures exceeded total revenues, but for the remainder of the decade total expenditures were kept at or below total revenues. The savings appear to have been achieved primarily through reducing expenditures in the area of institutional support.

Operating budget. Toward the end of the 1949-73 president's term, the administration recognized a budget problem but was optimistic that it would be solved. But in 1974, the college had had 13 years of deficits, totalling $3.5 million. $4 million had been borrowed from endowment since the 1930s. The extent of the problem was not widely known within the college, which is said to have been helpful in keeping morale at a reasonably high level and forestalling a sense of panic about recovery.

Throughout its recent history, Prairie's budget has placed high priority on faculty salaries. The major enduring savings have been achieved in the area of institutional support--changing the structure of staffing in student health and using student office help, for example. Management of auxiliary enterprises has been superb, according to one respondent, keeping costs in those areas low.

On the income side, Prairie has benefited from a program of state aid to private institutions, as well as state aid to students. Institutional aid amounted to $125,000 in 1982. During the early 1970s tuition increases were kept as low as possible, then accelerated in the late 1970s. The increase for 1983 is greater than the projected rate of inflation. The college has gradually increased its tuition hikes during

the past couple of years, and administrators have been pleasantly surprised by the apparent tolerance of students for these increases.

Capital. With a goal of 1,800 students, Prairie overbuilt during the late 1960s and early 1970s. A single new building doubled the existing classroom and office space. As a consequence, Prairie is now saddled with $10 million in capital debt and annual payments of $500,000. In 1979 the college took advantage of a new tax-exempt bond provision to consolidate its debts on physical plant and reduce its net payments. It issued bonds for $6 million at 7%, reinvesting the major portion of the principal at 9.5%.

Prairie sold some endowment properties during the 1970s, one of which had had unexpected and highly negative public relations value. These sales also shifted the endowment away from a relatively high investment in real estate. Three very old buildings on the campus were unusable in their current condition but had historic and symbolic value. The college was able to sell one of them for $1 to a developer who has restored it and turned it into private residences. Prairie restored one of the other two and is in the midst of deciding what to do about the third. Endowment value in 1972 was $12 million, and it grew to $19.2 million by 1980.

The maintenance program was cut back severely in the early 1970s, but has since been restored little by little so that deferred maintenance will not become a financial or aesthetic problem. The 1974-82 administration has also made a special point of investing in the campus library.

The president announced a $12 million three and one half-year capital campaign in 1975. The campaign raised $13 million by 1979, some 30% in realized bequests arranged for under the previous administration, including a single bequest of $2 million from an alumnus and trustee.

Commentary on Prairie's Experience

Causes of College Problems

Like nearly every small liberal arts college in the 1970s, Prairie suffered from changing student interests that became highly vocational. However, Prairie's major problems were not external to the institution.

More critical than enrollment decline relative to college history was enrollment decline relative to future targets. Anticipating 1,800 students, the college overbuilt without a capital campaign to mitigate the effects of overbuilding on future budgets. The college was inactive and ineffective in its admissions program until recently, which exacerbated the problems that resulted from what had been a heavy planning emphasis on tuition revenues prior to 1974.

College Response to Decline

Prairie's administrators and faculty have accepted and planned for lower enrollment levels to a degree found in few other cases in this study, but without stagnation or complacency. They seem to have resolved to become smaller and better.

This response has been motivated by deciding to continue the dedication of the college to the liberal arts. Faculty salaries, library

resources, ability-based scholarships, and other expenses that are central to achieving that mission have been protected from budget cuts, while significant savings have been achieved in other areas and firm budget controls initiated. Prairie also built its admissions office, changed its orientation from selection to recruitment, and took steps to improve its academic-career articulation for students.

Relieving college dependence on tuition revenue has been critical. It was done through increasing gifts, completing a capital campaign, refinancing old debts, and building the endowment. In the process, Prairie has built relationships with external constituents of the college.

The Lessons in Prairie's Experience

Colleges need to be exceedingly cautious about the extent to which they mortgage their own future. The forces that acted to reduce Prairie's enrollments, unlike the demographic projections that are now affecting so many colleges, were largely unforeseeable. The end of the draft, economic recession, and student vocationalism could not have been known when Prairie was planning its new buildings. So it may be unfair to fault the administration for its optimism. What was preventable was the extent to which decisions made in that spirit placed a continuing liability on the college for many years to come. Even with low interest rates on government building loans, many colleges successfully conducted capital campaigns in those days to keep indebtedness as low as possible. Such a campaign would have put Prairie in a significantly better position today.

The burden of capital debt was heavier when coupled with accumulated operating debt. This might have been prevented through closer monitoring by the trustees, which leads us to a second observation.

Trustees can be of great value to a college through close attention to financial affairs. Not only did the former president keep the trustees in the dark about the financial condition of the college, he was increasingly absent from the campus during the critical period when its enrollments started to turn downward, away from his earlier projections. If they had had complete and accurate pictures of finances and enrollments, they might have clamped down sooner and harder on the operating budget and on the president's travels. They might also have seen more clearly the need for them to become involved in raising funds for the college to offset its tuition dependence. With an absent president and uninvolved trustees, Prairie was left with no one minding the store.

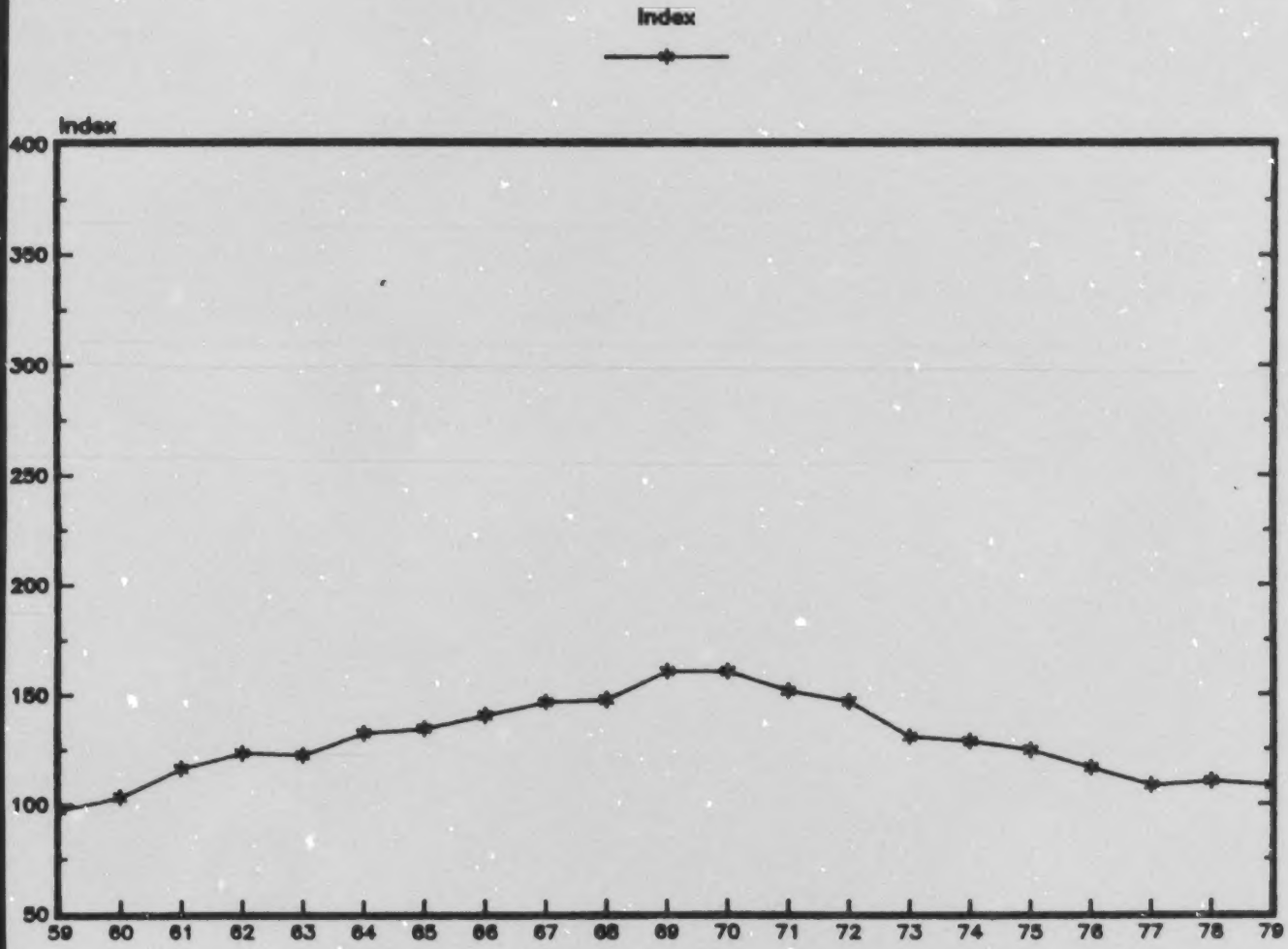
"Unearned" income is critical to the viability of a liberal arts college. Prairie's experience illustrates this point both by omission and by commission. Gift income would have helped finance new construction and relieved the college of current debt service. Gifts and endowment have subsequently played an important role in permitting the college to shrink in size without incurring operating debt.

A college can recover from financial difficulties without debilitating and demoralizing the faculty. In sharp contrast to Prophet, Faith, and other colleges, Prairie has found ways to economize without long-term erosion in support for faculty. Since the faculty, in a very real sense, are the college, this positions Prairie relatively well for the future. It can continue to draw well-qualified faculty members who are motivated to provide high quality education for Prairie's students because they feel appreciated and supported by the institution.

Under the right circumstances, a liberal arts college need not abandon or drastically modify its mission in order to weather shifting student interests. The right circumstances, for Prairie, have included a good reputation for academic quality and an able faculty. They have made some adjustments to acknowledge and address student concerns, including subtle but important curricular changes that kept the course of study and the faculty vital. Those changes also reinforce the traditional curriculum, rather than change it.

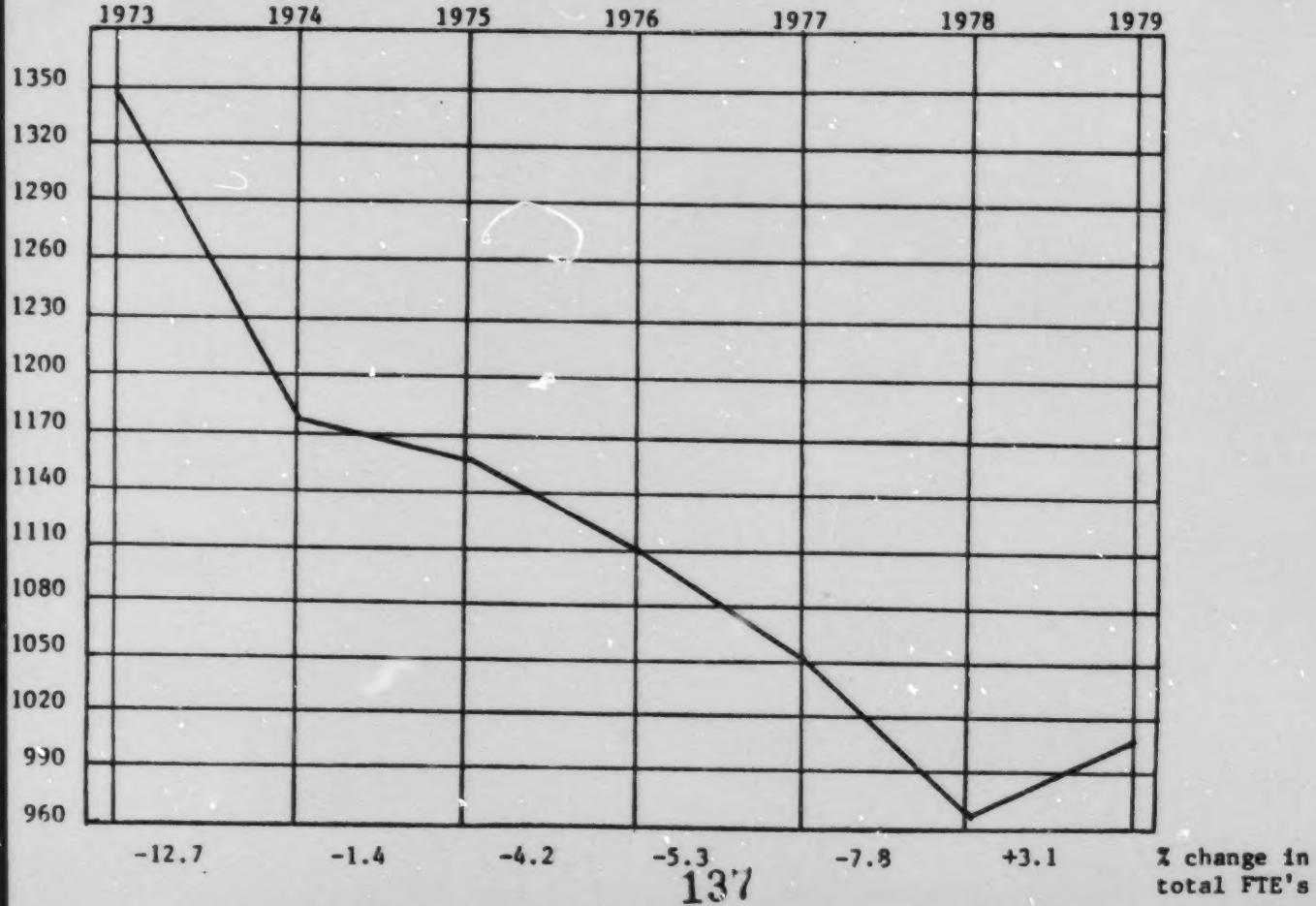
FIGURE 1G

Indexed* Headcount Enrollments (1959–1979)
Prairie College



*Index based on average of first two years data

Figure 2G. Prairie College: Total Full-Time Equivalent Students by year 1973-1979



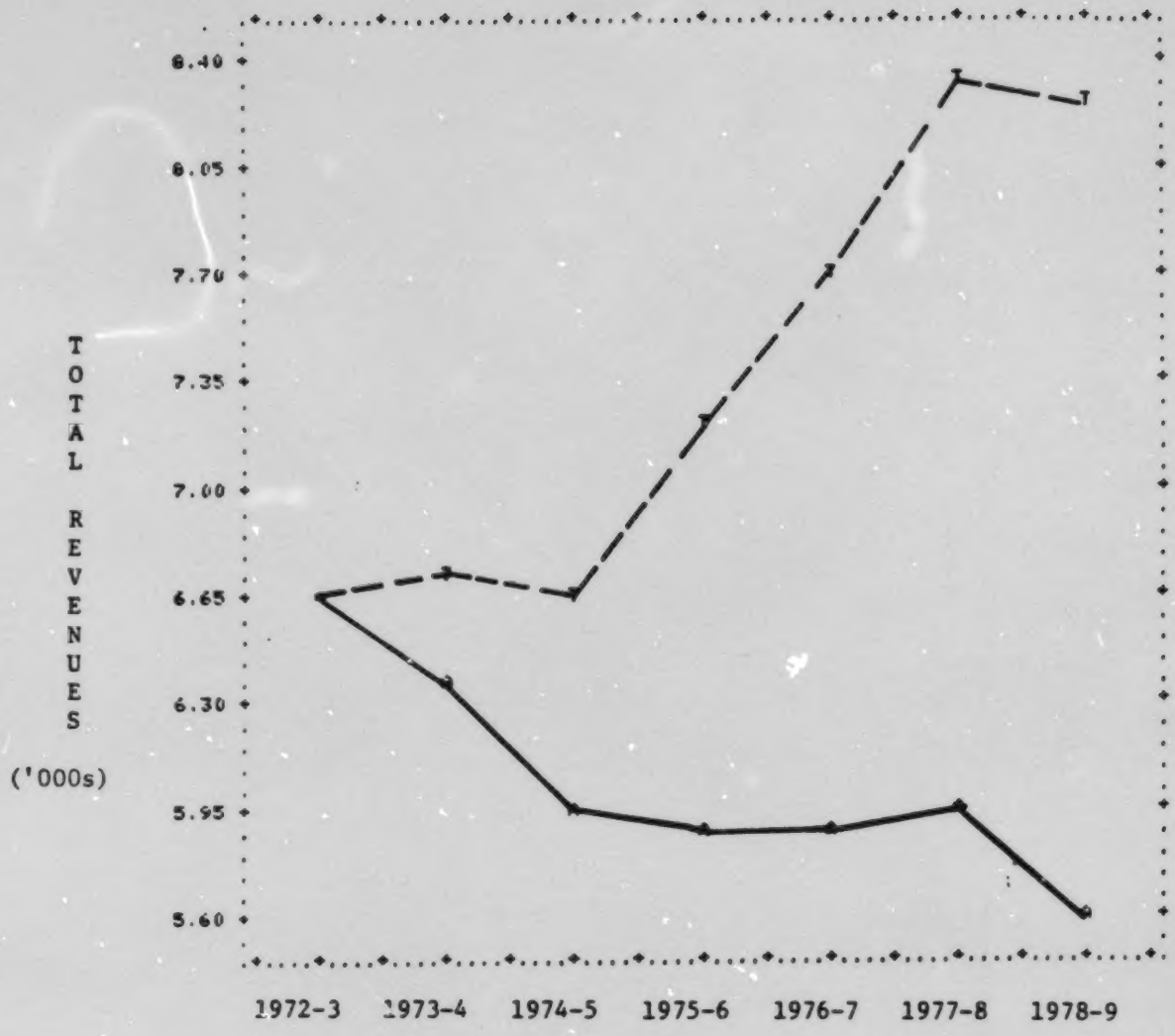


Figure 3G. Prairie College 1973-1979 Revenue Trends

T = total revenues
A = total revenues, adjusted for inflation (HEPI)

Table 1G. Prairie College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants & Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	3,484,995	0	98,874	345,634	609,825	2,803,663	7,342,991
73	3,890,083	128,200	148,475	376,645	425,055	1,706,790	6,675,248
74	3,890,676	113,300	28,294	385,736	398,784	1,870,748	6,687,538
75	3,737,126	0	233,611	490,381	728,116	1,489,910	6,679,144
76	3,893,056	111,583	145,268	586,448	734,944	1,712,775	7,184,074
77	3,754,864	121,783	283,603	753,612	1,200,525	1,603,833	7,718,220
78	3,735,049	103,651	341,259	682,304	1,772,946	1,661,551	8,296,760
79	4,134,566	114,992	177,098	868,297	1,159,844	1,801,323	8,256,120
80	4,390,695	115,841	309,720	1,073,207	1,054,014	1,863,191	8,806,668

132

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	2,003,232	98,874	0	520,046	1,801,702	NA	NA	NA	1,439,695	4,653,925	7,821,416
73	1,817,189	148,475	0	484,934	1,732,957	NA	NA	NA	750,589	4,391,510	6,829,366
74	1,933,067	28,294	0	526,971	1,718,322	NA	NA	NA	734,999	4,566,672	6,763,931
75	2,078,050	65,594	0	544,610	838,678	689,189	268,808	396,240	NA	5,081,589	6,635,450
76	2,372,389	0	0	585,548	1,065,775	594,214	203,052	477,693	NA	5,512,408	7,101,408
77	2,449,983	0	0	601,141	1,233,073	546,048	232,483	502,648	NA	5,737,359	7,386,800
78	2,489,654	0	0	668,212	1,273,743	641,834	247,629	520,994	NA	5,944,909	7,786,008
79	2,613,331	0	0	719,232	1,226,057	602,378	264,859	558,859	NA	6,369,376	8,519,706
80	2,725,876	0	0	746,307	1,268,067	498,882	294,990	654,926	NA	6,583,940	8,725,804

Table 2G. Prairie College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	47.5	0.0	1.3	4.7	8.3	38.2
73	58.3	1.9	2.2	5.6	6.4	25.6
74	58.2	1.7	.4	5.8	6.0	28.0
75	56.0	0.0	3.5	7.3	10.9	22.3
76	54.2	1.6	2.0	8.2	10.2	23.8
77	48.6	1.6	3.7	9.8	15.6	20.8
78	45.0	1.2	4.1	8.2	21.4	20.0
79	50.1	1.4	2.1	10.5	14.0	21.8
80	49.9	1.3	3.5	12.2	12.0	21.2
$*\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	25.6	1.3	0.0	6.6	23.0	NA	NA	NA	18.4	59.5
73	26.6	2.2	0.0	7.1	25.4	NA	NA	NA	11.0	64.3
74	28.6	.4	0.0	7.8	25.4	NA	NA	NA	10.9	67.5
75	31.3	1.0	0.0	8.2	12.6	10.4	4.1	6.0	NA	76.6
76	33.4	0.0	0.0	8.2	15.0	8.4	2.9	6.7	NA	77.6
77	33.2	0.0	0.0	8.1	16.7	7.4	3.1	6.8	NA	77.7
78	32.0	0.0	0.0	8.6	16.4	8.2	3.2	6.7	NA	76.4
79	30.7	0.0	0.0	8.4	14.4	7.1	3.1	6.6	NA	74.8
80	31.2	0.0	0.0	8.6	14.5	5.7	3.4	7.5	NA	75.5
$*\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

$*\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3G. Prairie College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$2,890.11	$1,350.07	NA	NA	1,346
74	$3,311.21	$1,645.16	NA	NA	1,175
75	$3,227.22	$1,794.52	$595.15	$342.18	1,158
76	$3,510.42	$2,139.21	$535.81	$430.74	1,109
77	$3,576.06	$2,333.32	$520.05	$478.71	1,050
78	$3,858.52	$2,571.96	$663.05	$538.22	968
79	$4,142.85	$2,618.57	$603.59	$559.98	998
80	$4,498.66	$2,792.91	$511.15	$671.03	976

Table 4G. Prairie College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue		Gifts Revenue		Endowment Revenue		Total Revenue		Total TOTFTE	
1971-72	$3,484,995		$609,825		$345,634		$7,342,991			
	100.0		100.0		100.0		100.0			
1972-73	$3,890,083		$425,055		$376,645		$6,675,248		1,346	
	111.6	11.6%	69.7	-30.3%	109.0	9.0%	90.9	-9.1%	100.0	
1973-74	$3,890,676		$398,784		$385,736		$6,687,538		1,175	
	111.6	.0%	65.4	-6.2%	111.6	2.4%	91.1	.2%	87.3	-12.7%
1974-75	$3,737,126		$728,116		$490,381		$6,679,144		1,158	
	107.2	-3.9%	119.4	82.6%	141.9	27.1%	91.0	-.1%	86.0	-1.4%
1975-76	$3,893,656		$734,944		$586,448		$7,184,074		1,109	
	111.7	4.2%	120.5	.9%	169.7	19.6%	97.8	7.6%	82.4	-4.2%
1976-77	$3,754,864		$1,200,525		$753,612		$7,718,220		1,050	
	107.7	-3.5%	196.9	63.3%	218.0	28.5%	105.1	7.4%	78.0	-5.3%
1977-78	$3,735,049		$1,772,946		$682,304		$8,296,760		968	
	107.2	-.5%	290.7	47.7%	197.4	-9.5%	113.0	7.5%	71.9	-7.8%
1978-79	$4,134,566		$1,159,844		$868,297		$8,256,120		998	
	118.6	10.7%	190.2	-34.6%	251.2	27.3%	112.4	-.5%	74.1	3.1%
1979-80	$4,390,695		$1,054,014		$1,073,207		$8,806,668		976	
	126.0	6.2%	172.8	-9.1%	310.5	23.6%	119.9	6.7%	72.5	-2.2%

Table 5G. Prairie College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships& Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$4,653,925		$7,821,416	
	100.0		100.0		100.0	
1972-73	$0		$4,391,510		$6,829,366	
	.0	.0%	94.4	-5.6%	87.3	-12.7%
1973-74	$0		$4,566,672		$6,763,931	
	.0	.0%	98.1	4.0%	86.5	-1.0%
1974-75	$689,189		$5,081,589		$6,635,450	
	.0	.0%	109.2	11.3%	84.8	-1.9%
1975-76	$594,214		$5,512,408		$7,101,408	
	.0	-13.8%	118.4	8.5%	90.8	7.0%
1976-77	$546,048		$5,737,359		$7,306,800	
	.0	-8.1%	123.3	4.1%	94.4	4.0%
1977-78	$641,834		$5,944,909		$7,706,008	
	.0	17.5%	127.7	3.6%	99.5	5.4%
1978-79	$602,378		$6,369,376		$8,519,706	
	.0	-6.1%	136.9	7.1%	108.9	9.4%
1979-80	$498,882		$6,583,940		$8,725,804	
	.0	-17.2%	141.5	3.4%	111.6	2.4%

Table 6G. Prairie College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr	Market Value Beg of Yr	Book Value End of Yr	Market Value End of Yr	Yield
1971-72	$11,697,480 100.0	$12,151,633 100.0	$11,378,833 100.0	$12,371,546 100.0	$548,756 100.0
1972-73	$11,378,833 97.3 -2.7%	$12,371,546 101.8 1.8%	$13,910,868 122.3 22.3%	$14,325,510 115.8 15.8%	$501,642 91.4 -8.6%
1973-74	$12,084,975 103.3 6.2%	$0 .0 -100.0%	$10,636,795 93.5 -23.5%	$0 .0 -100.0%	$514,530 93.8 2.6%
1974-75	$10,636,795 90.9 -12.0%	$10,268,627 84.5 .0%	$10,271,417 99.3 -3.4%	$10,369,959 83.8 .0%	$638,704 116.4 24.1%
1975-76	$10,271,417 87.8 -3.4%	$10,369,959 85.3 1.0%	$13,034,365 114.5 26.9%	$15,049,895 121.6 45.1%	$613,268 111.8 -4.0%
1976-77	$12,225,045 104.5 19.0%	$15,049,895 123.9 45.1%	$12,773,751 112.3 -2.0%	$16,202,459 131.0 7.7%	$746,596 136.1 21.7%
1977-78	$12,773,751 109.2 4.5%	$15,964,935 131.4 6.1%	$14,201,805 124.8 11.2%	$16,970,599 137.2 4.7%	$699,153 127.4 -6.4%
1978-79	$14,201,805 121.4 11.2%	$16,970,599 139.7 6.3%	$12,997,719 114.2 -8.5%	$16,115,839 130.3 -5.0%	$885,807 161.4 26.7%
1979-80	$12,997,719 111.1 -8.5%	$16,115,839 132.6 -5.0%	$15,180,114 133.4 16.8%	$18,240,507 147.4 13.2%	$1,131,000 206.1 27.7%

Table 7G. Prairie College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr		Additional Borrowed		Payments Made		Balance Owed End of Yr		Interest Payments	
1971-72	$11,008,233		$53,016		$538,790					
	100.0		100.0		100.0					
1972-73	$10,524,459		$0		$444,996					
	95.6	-4.4%	.0	-100.0%	82.6	-17.4%				
1973-74	$10,079,463		$0		$411,383					
	91.6	-4.2%	.0	.0%	76.4	-7.6%				
1974-75	$9,668,080		$124,000		$210,960		$9,581,120		$370,652	
	87.8	-4.1%	225.4	.0%	39.2	-48.7%	100.0		100.0	
1975-76	$9,581,120		$0		$391,516		$9,189,604		$363,263	
	87.0	-.9%	.0	-100.0%	72.7	85.6%	95.9	-4.1%	98.0	-2.0%
1976-77	$9,189,604		$0		$252,779		$8,936,825		$339,383	
	83.5	-4.1%	.0	.0%	46.9	-35.4%	93.3	-2.8%	91.6	-6.6%
1977-78	$8,936,825		$55,934		$230,317		$8,762,442		$312,880	
	81.2	-2.8%	101.7	.0%	42.7	-8.9%	91.5	-2.0%	84.4	-7.8%
1978-79	$8,762,442		$6,000,000		$4,505,761		$10,256,681		$392,887	
	79.6	-2.0%	#####	######	836.3	1856.3%	107.1	17.1%	106.0	25.6%
1979-80	$10,256,681		$0		$221,801		$10,034,880		$512,834	
	93.2	17.1%	.0	-100.0%	41.2	-95.1%	104.7	-2.2%	138.4	30.5%

CROSSROADS COLLEGE

PROFILE

Location:	Rural, Far West	
Type:	Religious, Liberal Arts II	
1980 Enrollment:	1828 FTE	
Date Founded:	1954, by the sponsoring church Accredited	
1981 Cost:	Church members:	$950 (tuition and fees)
	Non-members:	$1424 (tuition and fees) $1650 (board and room)
	Church members:	$2600 (total)
	Non-members:	$3074 (total)
	National average:	$5752

The Story of Crossroads College

The establishment of Crossroads College was announced in July 1954, by the leadership of a religious denomination. It was the third such institution sponsored by the church. This event was heralded as a fulfillment of a prophecy made by a senior church leader in 1921. In visiting the area in which the college was to be built, he announced that he envisioned a college campus in that place dedicated to a special mission. This sense of mission, and the circumstances under which the college was formed, has a powerful influence on Crossroads. The receiving of the vision of a college campus, for example, is depicted in a mosaic above the main entrance to the central classroom building on the campus.

Ground breaking services were held in February, 1955. In September of that year, 153 students enrolled in a two year program at Crossroads College. Classes were held in temporary buildings and in a chapel. The first permanent buildings were erected in 1958 entirely by missionaries called from the church to supervise and perform the construction. The campus has grown dramatically from that point, so that it now sits on 60 acres with dormitories for over 1100 single students and 250 married couples. A large activities center, learning resources center, student union, administration building, auditorium, and classroom buildings have now been constructed.

In 1959 the third and fourth years of instruction were added, and full institutional accreditation was received in that same year. In 1974 the name of the institution was changed to indicate an affiliation with a major research institution also sponsored by the church. There have been six presidents of the institution since its founding, the longest serving for seven years and the shortest for three years.

Branches. Crossroads College does not offer courses in locations other than on the campus itself. However, because it is affiliated with a large research university (and that university has a self imposed cap on its enrollment), Crossroads can receive the benefits of that campus; its resources and overflow applicant pool. The large university, for example, sponsors special programs where some of its students spend one semester at Crossroads while obtaining credit toward graduation from the large university. There is a liberal faculty exchange program between the two campuses. In a sense, Crossroads may actually be seen as a branch of the larger university, although both are administered as independent institutions and maintain separate identities.

Enrollments and Students

Whereas the general trend of enrollments is upward (see figure 1H), there are three points of decline between 1960 and 1982, one of them serious. By 1962 the church member enrollment had declined to about 55% of the total FTE at Crossroads. Concurrent with the rise in students not subscribing to church standards of behavior, problems of drug usage and other violations of the moral code increased. A decision by the board of trustees revised admissions policies to increase the proportion of church members among students. The levelling off of the total FTE noted at that time can be attributed to this decision. The most serious decline occurred in 1971-1974 as the result of the installation of a new administration under whom policies became so restrictive that both student and faculty morale declined, producing, in turn, a drop in FTE. However, because the college-age population of the church was rapidly growing, consistent growth was expected to occur in enrollments at the college. And in 1975 this growth began to be realized. Renewed confidence in the institution by the board of trustees also may have been a positive factor in the enrollment turnaround. The board of trustees announced a cap on enrollments at Crossroads College of 2000 FTE in 1981, and the school will likely reach that peak in 1984, thereafter to remain stable.

Students. Because of its geographic location, this college has several unique features regarding its student mix. The institution exists at a crossroads of international travel, and as a result, students from 31 foreign countries are in residence (approximately 40% of the student body). Nineteen foreign languages are spoken on campus, implying that English is a second language to approximately 60% of the students. Caucasians comprise only about 34% of the resident students. A large percentage of the students are from under-developed countries, so that new student orientation includes instruction in western dress, American consumer practices, etc.

The college provides a great deal of personal counseling and tutoring because of the special cultural and academic needs of the students. Many students come from school systems that have marginal college preparation programs, and only about 15% ranked in the upper fifth of their high school classes. Approximately 55% ranked in the third fifth. Some students are motivated to enroll at Crossroads in order to get away from their under-developed homeland. Their hope is that college experience will be a springboard for achieving a higher standard of living in the United States. A major goal of Crossroads, however, is to prepare students to return to their home cultures and to assist in their people's

accommodation to encroaching 20th century western ways. The conflict between college goals and the personal goals of students is an underlying, mostly implicit, source of strain at the college.

Seventy percent of the students receive financial aid from the college. Approximately 10% are grants, 40% are loans, and 50% are part-time jobs. The policy of the college is that "all students are first responsible to cover their own expenses; next they should seek help from their families and granting agencies; and last, they may request the resources of the college." Many foreign students come from countries where the average yearly income may be as little as several hundred dollars. It has been necessary, therefore, for the college to act as sponsor for a larger number of students than is usual. All must finance their travel to the campus and non-sponsored students must deposit with the college the sum of $1500 (one semester's expenses). Once they meet those requirements, aid is made available so that sponsored students can meet the rest of the expenses of their education. One innovative aid program for the sponsored foreign student involves the college paying for all student educational expenses, then encumbering a certain percentage of the student's monthly check from his or her part-time job. Approximately 600 students are employed in a major corporation that serves as a tourist attraction located in the same community. By special arrangement, the corporation provides part-time jobs for students as part of the college's aid package. Students not working at the corporation are provided with jobs in campus maintenance, food service, the college-owned farm, etc.

Student life. The encouragement that the college provides for foreign students to attend the school results in a very cosmopolitan campus. Not only is it multilingual, but the traditions of some of the students are in conflict with one another. In generations past, some countries were the conquerers of other countries, for example, and deep-rooted hostilities toward the conquerors exists among some students. Being located on the same campus with members of a feared or hated culture, therefore, creates the potential of a volatile environment. The glue that holds the student body together, however, seems to be the commitment to the same religious principles, and a deep sense of mission at the school. Over 95% of the current student body are church members, and most are active at least weekly in some church service and church activity. This religious commitment and sense of destiny at Crossroads largely supersedes the potential cultural conflict.

In addition to church-related activities, students also participate in student government (largely oriented toward planning and conducting student activities), entertainment, intramural sports, musical groups, theater, campus ethnic clubs, and varsity athletics. The school is nationally competitive in sports such as rugby, volleyball, and basketball.

The campus is located within blocks of an ocean beach and within 35 miles of a major metropolitan area. Therefore, although the campus itself is in a rural, almost isolated setting, the advantages of a large city are relatively close for students and faculty. In addition, approximately one million tourists per year visit the major corporation in the community, and about a third of those come to the campus of Crossroads, so opportunities for diverse social experiences are prevalent.

Faculty, Administrators, and Others

Even with a relatively high percentage of foreign students on campus, most of the faculty (80%) are caucasians. Local church members are actively recruited, but few are qualified. Approximately 60% hold terminal degrees. Turnover among faculty is about 10% per year. Because the average teaching load for faculty members is 15 semester hours (usually divided as 12 teaching hours and 3 committee hours), little research is conducted by the faculty. However, nearly 40% of the faculty are involved in research or professional development projects funded by the university each year. In addition to teaching loads, a heavy advising and counseling load also is placed on most faculty members because of the character of the student body. In 1973 the student-faculty ratio was 1:19; in 1981 the ratio was 1:21. There are currently 82 full-time faculty members at Crossroads.

Administrators. The first president of the college (1955-1959) was appointed when the announcement was made that the college would be formed. It was originally planned as a two-year school. The president was charged with founding the institution and planning and constructing the campus. In 1959 a new president, (who had been a member of the original faculty), was appointed and the third and fourth years of instruction were added to Crossroads, so that it became a four-year degree granting institution. In 1964, the third president took over and began what was to become a strong emphasis on recruiting foreign students. The cosmopolitan nature of the college increased as a result of this effort. Toward the end of the 1960s, however, the board of trustees received the impression that the college was failing in some of its basic purposes. Enrollments from the state in which Crossroads was located were down. The increased number of foreign students was not being attracted to return to their homes after graduation. The cost per student was nearly double that of other institutions sponsored by the church. Because of the liberal admission policies and the larger foreign student population, academic standards were seen as suffering. Consideration was given at that time by some members of the board to closing the school altogether. A new president was appointed in 1971 with a mandate to establish a clear mission and to specify institutional goals. Costs were high, academic courses and programs had proliferated and problems of student standards were increasing. Concern was also expressed by some board members over reported interracial marriages. The new president was informed that Crossroads was essentially on trial.

The new president in 1971 adopted an iron hand in his administration. Goals, policies, and priorities were set, but without the support of, and sometimes in spite of, the faculty. A punitive rather than a cooperative atmosphere prevailed. A particularly critical event was the release of a beloved father-figure on campus who was serving as the academic dean. The dean was given notice that he was relieved of that position and he was given a number of travel opportunities to seek other employment. He chose to remain on campus and in some ways contest the action of the board in his release and was given a one-year appointment as a full-time teacher. Some faculty members were incensed by this action, particularly as a number of them were being given the same kind of notice in the effort to reduce the faculty numbers. The faculty refused to give support to the president during his three-year term.

In 1974, the decision was made by the board of trustees to keep the institution open, but to change its name. This name change was actually proposed by the faculty and administration at Crossroads. The school was in a tenuous condition financially (see figure 2H) with sharply declining revenues, and the goal was to give it more legitimacy and strength. The change in name affiliated Crossroads with the large research university and boosted its credibility and legitimacy. This nominal affiliation also served to release the college from a three year budget freeze imposed by the executive secretary of the board of trustees and permitted a modest increase in salaries. At a later date studies conducted by the parent institution indicated that few faculty salaries in church sponsored institutions were competitive and additional salary increases were given at Crossroads. Resources in the form of advice and expertise were also made available to Crossroads from the university in an attempt to turnaround its declining morale.

There was not immediate, universal support of this name change at Crossroads, since many believed that institutional self-identity would suffer, autonomy would be lost, and that Crossroads would be used as an outpost for people that the large university wanted to dispose of. There was some basis for those fears when the president of the large university announced a change in presidents at Crossroads in 1974, but then gave the new head the title of dean. A year later the title was changed to executive vice president, and the third year the title was again changed to president.

The new president at Crossroads was consensus oriented and strived to rebuild institutional pride and morale. Budgeting remained problematic, however, since conditions among church leadership fostered a tendency to consistently under-budget. Then the college had to go to the board of trustees with special requests for extra funds. Financial management was not tightly controlled, and over-commitments and over-expenditures in some areas (e.g., student aid, athletics, the college farm) were typical. As an example of lax financial management, family members of food service employees were often allowed to eat free on campus.

Two major internal changes occurred in the school in about 1976. An academic reorganization occurred as a means of improving efficiency and control. With fewer than 1200 students, the college still offered over 30 majors. Many of the majors consisted of one or two faculty members and a handful of students. When the faculty members left the college, the majors remained. The reorganization divided the academic affairs area into seven divisions and reduced the number of majors to 17. Academic departments per se were eliminated, and the curriculum was streamlined. Some liberal arts areas were dropped, for example, and increased emphasis was given to technical and vocationally oriented programs.

The second change was a change in budget procedures. At the insistence of the board of trustees, budgeting was done on an actual expense basis rather than on a consistent under-budgeting basis. Apparently, the motivation for under-budgeting had been to comply with pressures from church hierarchy, but financial and image problems arose when additional monies were needed at the end of every year to achieve a balance. Part of the reason for an increase in revenues, therefore, (see figure 2H) was not only an increase in enrollments, but also an increase in the amount requested and received from the board of trustees at their insistence. Still, on occasion, certain budgeting matters were not handled rationally; for example, one year after the change the school ran

a deficit, and the next year was reported that the school turned back over $100,000 in unspent revenues.

In the tenure of the president (from 1974 to 1980) there was a demonstrable increase in quality academic programs and high faculty morale. The leadership style of the president and the vice president embraced the desires and recommendations of the faculty and students in a marked degree. Nearly every area of the college showed increasing strength. Student enrollments began to accelerate, more terminal degrees by faculty were achieved, policies and procedures were more clearly enunciated to the campus community, a funded professional development program was launched, and several large and important buildings were constructed, including a new learning resource center, an activities center with a 5,000-seat arena, and several new married student housing units. Clearly some of the old concerns about the purpose and stability of the college were fading. By 1980, with the appointment of the current president, the impression on campus and elsewhere was that the concerns that threatened the existence of the institution were all past.

The new president had formerly been a vice president at the large affiliated university and had been in close contact with the board of trustees at Crossroads for almost fifteen years. The new president commanded a high degree of confidence from the board and the three years of his current tenure have proven to be a continued blessing at the college. Budgeting control was improved and efficiency of operation was enhanced. Student enrollment continues to move up toward the ceiling of 2,000 students which was placed on the institution by the board of trustees. With the advent of the current president, relations between the college and the corporation that employs many Crossroads students have been very cooperative, and the corporation recently doubled the amount of financial support it provides to Crossroads. In the past the president of Crossroads sat on the board of directors of the local corporation. Now the president of the large affiliated university serves on that board.

Because of the cosmopolitan, yet rural, character of the college, the personal image of the president was seen as a critical factor in his effectiveness. When the president was seen as autocratic and unempathetic (e.g., the 1971-1974 president), little support was generated. When the president was seen as warm, friendly, and participative (e.g., the 1974-1980 president), more success resulted. An incident involving the current president illustrates the effects of personal image on the campus.

Shortly after the new president arrived, a group of faculty members and their wives met with him to complain about low salaries and the need for a 30% cost of living increase. When asked why this issue had not been discussed with the former president, the reply was that he was too nice a guy, and they didn't want to confront him with such a problem. They thought the new president--more of an administrator and less of a friend--would be a more logical target for their request. (As it turned out, the president did achieve a significant cost of living raise for all faculty and staff.)

Trustees. The board of trustees at Crossroads is essentially immutable. They are the general leaders of the church with special assignment for the higher education institutions. The president of Crossroads, therefore, has no power over the board, nor does he have any influence regarding who sits on the board. Because this board is the source of almost all revenues for the college, however, the success of the president is dependent heavily on his relationship with and influence over

board decisions. A major role of the president, therefore, is to help members of the board recognize the unique contributions, needs, and conditions that exist at Crossroads.

Constituents. The major constituency of Crossroads is college age church members and their families. The church has made it clear that the institution exists to meet the needs of these individuals in the particular geographic region in which Crossroads exists. A second major constituency is the state in which the institution resides. Crossroads is the second most prestigious institution in the state, trailing only the large state-sponsored university. Because approximately 40% of the students come from within the state, attention must be paid to the needs of this constituency. A third important constituency is the private corporation located in the same community that serves as the largest tourist attraction in the state. As mentioned above, a special arrangement with this corporation allows a large number of students to be employed there each year as part of their financial aid package at the college. Relations between the corporation and the college have not always been good, but they are good now.

Academic Programs

Both associate degrees and bachelor's degrees are offered at Crossroads College. Associate degrees (generally two-year) are primarily focused on technological fields: business technologies (e.g., accounting, secretarial, hotel management, travel and tourism), data processing technologies, mechanical and engineering technologies (e.g., automotive, electronics, construction, industrial), and natural science technologies (e.g., food service, agriculture, home economics). Bachelors degrees can be earned in the first six of the seven academic divisions: behavioral and social science, business, communication and language arts, education, fine arts, mathematics-natural science-technology, and religious instruction. Most of the degrees are given in education (37%), business (22%), and social science (16%). As mentioned in an earlier section, an academic program change occurred in 1976 which better aligned course offerings and majors with the needs of the students attending Crossroads relative to future employment. This change helped position the college in the marketplace and helped clarify the academic mission of the institution.

Planning

The school has had numerous five-year plans and institutional master plans which have given quite a bit of direction to the college. Recently administrators have done some computerized projections about facilities needs. Plans undergo quite a bit of revision, and with each change of administration or top administrator the tendency has been to re-examine college purposes and then build a masterplan. A sense of identity and mission is present at the school. In fact, an "organizational saga," even a sense of divine destiny, is one of the most permeating characteristics of Crossroads. From its founding until the present, there has always been a sense that the institution is special, has a unique mission, and exists as a result of divine intervention.

Financial Situation

Whereas total revenues for Crossroads are almost precisely at the mean for this type of institution (see table 2H), private, unrestricted gift revenues have been from 3 to 5 times the average, sales and services are twice the average, and other revenue sources (except tuition) are approximately 150% of the average. Tuition revenues are unusually low, however, being only half the average and providing only 28% of the college's total revenue (see table 3H and table 4H). The trend at Crossroads has been towards more tuition dependence over the past decade, but the relative percentage is still small (i.e., 28%). Gift revenues have declined in the 1970s to about 70% of their level at the beginning of the decade, but their relative contribution to total revenues is still high. In 1972, gifts represented 56% of total revenues, but only 25% is accounted for by gifts in 1980. This compares to the average of 11%. Revenues from sources other than gifts and tuition have more than doubled in that same period of time, and they now constitute almost half the total revenues of Crossroads.

In the last three years of the decade, 1978-1980, reported expenditures outstripped reported revenues by several hundred thousand dollars a year (i.e., 1978 = $-467,328 or 8%, 1979 = $-780,634 or 12%, 1980 = $-835,917 or 12%). That is, a budget deficit occurred on each of those three years. (These figures do not square, however, with the report by the current administration of a surplus in 1979-1980 of over $100,000.) Deficits up to now, however, are not carried over, and the frequent strategy has been to make special requests to the board of trustees for supplementary funds.

Expenditures have increased dramatically (in the decade) for instruction, academic support, and student services. In constant 1971-72 dollars, $157 was spent in 1980, on the average, for each $100 spent in 1971 (see table 5H). This reflects an emphasis on upgrading academic excellence at the college over the ten-year period. Expenditures for scholarships and grants increased in dollar amounts, but using 1971 dollar equivalents, an exactly equivalent amount was spent each year throughout the ten year period. Actual declines in expenditures occurred in operation and maintenance of the physical plant and in institutional support when comparing the early years in the decade with the later years. However, in both cases, the expenditure curve reached its bottom in 1975, and there has been a slight increase since. These two categories reflect the general revenue trend of the college as a whole.

Whereas Crossroads is well above average in percent expenditures on instruction, the school is well below average in expenditures in each of the other categories (see table 4H). Scholarships and fellowships are especially low compared to the average, but this figure does not include the unique employment program at the college that helps compensate for a lack of scholarship funds.

Perceived financial condition. Financial support for Crossroads is not a major concern on campus. Administrators generally feel that if the legitimacy and credibility of the institution and its leaders remain high, sufficient funding will be forthcoming. In interviews on campus, in fact, much more attention was given to enrollments than to finances when discussing decline. Like other schools, Crossroads is not flush, of course. Tradeoffs have had to be made as funds have become tight relative to requests. But there is no fear of the school folding because of lack

of revenues. A full-time development officer was hired at the institution for the first time in the late 1970s, and Crossroads is now actively building a base of financial support outside the board of trustees (who control the amount received from the church). In general, the school is characterized by a growth mentality relative to financial condition, where crisis and threat are not a part of administrative consciousness.

Commentary on Crossroads College

Causes of College Problems

Crossroads College is different in many ways from the other schools in the study. Although enrollment and revenue decline occurred, it was a conscious decision on the part of the institution to get smaller in an attempt to refocus institutional direction. On the other hand, there were several serious problems that almost led to a closure of the college. This closure would not have occurred because of decline. Rather it would have occurred because of a loss of institutional legitimacy. The following are the critical problems that faced Crossroads during the first half of the 1970s.

1. The college lost credibility with important constituencies (e.g., board of trustees, church members, potential students with high academic aspirations) as a result of drifting from the original institutional mission. The school had begun catering to a wide variety of non-church related constituencies, and as a result, it almost lost its support of the church. The president who was brought in during 1971 to remedy these ills and other management problems proved to be a "cure that was worse than the disease."

2. The 1971-74 president failed to communicate adequately with the board of trustees--the major source of revenues for the college. He implemented a political stance contrary to that of the board and perpetuated an isolationist orientation. The board members lacked awareness of the problems and events of Crossroads. The president thought the board "didn't understand the issues," and the board thought the president wasn't doing anything about them. Yet, as one participant put it later, "the problems were overstated and the cure was overdone."

3. The original sense of divine destiny that created the institution apparently was not perpetuated for a time. This organizational saga that brought both students and faculty to the campus was allowed to diminish as the institution attempted to grow and expand into new markets.

4. Although strongly anti-union, the faculty nevertheless united against at least one president who was viewed as an outsider and who ruled with an iron hand. Outside perspectives were brought to bear on internal problems, but it was done without the participation or agreement of the faculty. The person who served as the symbolic inside leader of the faculty was fired by this outsider president (i.e., the father figure serving as academic dean), the Faculty Association was dissolved, and irreparable damage was done to the president's effectiveness in leading the faculty.

5. Unrealistic budgeting procedures, encouraged by the insistence of some church leaders as a means of curtailing "fiscal irresponsibility," led to poor financial management. Little, if any, financial planning

occurred that let the college know where it was heading on a fiscal basis in the future. Perceived fiscal stress exacerbated faculty unrest.

6. Demographic factors such as the end of the draft and the stagnating economy had some impact on decreasing student enrollments at Crossroads, but the significance of these events was minimal. With a continually expanding church membership base, and with the other church-sponsored colleges being at their enrollment limits, the number of potential students for Crossroads is an upward sloping curve for the foreseeable future. Internal management problems seem to be the major source of potential institutional ineffectiveness or decline.

College Response to Decline

Crossroads administrators responded not so much to the down-sloping enrollments and revenues during the early 1970s as to the threat of closure by the sponsoring church. Individuals on campus were not as much concerned about the decline as about the loss of legitimacy. (This could be interpreted as focusing appropriately on causes, not symptoms.) Following are the major institutional responses.

1. The academic program was reorganized and strengthened so as to eliminate inefficiencies in program offerings and majors. Policies regarding faculty workload were established, and the curriculum was consolidated around what was defined as the unique mission of the school and the employment needs of the student body.

2. A rational budgeting system was established, and tighter control of expenditures was implemented. The school was put back on a responsible financial footing.

3. The mission and goals of the institution were re-identified, re-affirmed, and re-publicized. Student recruitment, academic programs, and public relations were made consistent with that recommitment to institutional roots.

4. The name of the institution was changed in order to affiliate with a large and prestigious university also sponsored by the same church. This raised the credibility of Crossroads with both local constituents and church funders.

5. Special relationships were formed with the larger university to provide exchange programs for faculty, advice and expertise, and needed resources at Crossroads. The fears of Crossroads becoming a second class citizen, and losing their autonomy because of the affiliation were never realized.

The Lessons in Crossroads' Experience

The most critical resource a college can possess is legitimacy with its major constituents. For Crossroads, this erosion of legitimacy threatened both the financial survival of the institution and the acceptability of the school to potential students.

Institutional legitimacy is threatened when the institution strays from its roots. At Crossroads, growth was pursued by abandoning the special purpose for which the college was established. Because that purpose was still relevant (i.e., it was not outdated or illegitimate), abandoning it, even slightly, resulted in an erosion of institutional

support by important constituents. Tapping new markets that led to institutional drift did not enhance institutional viability over the long run.

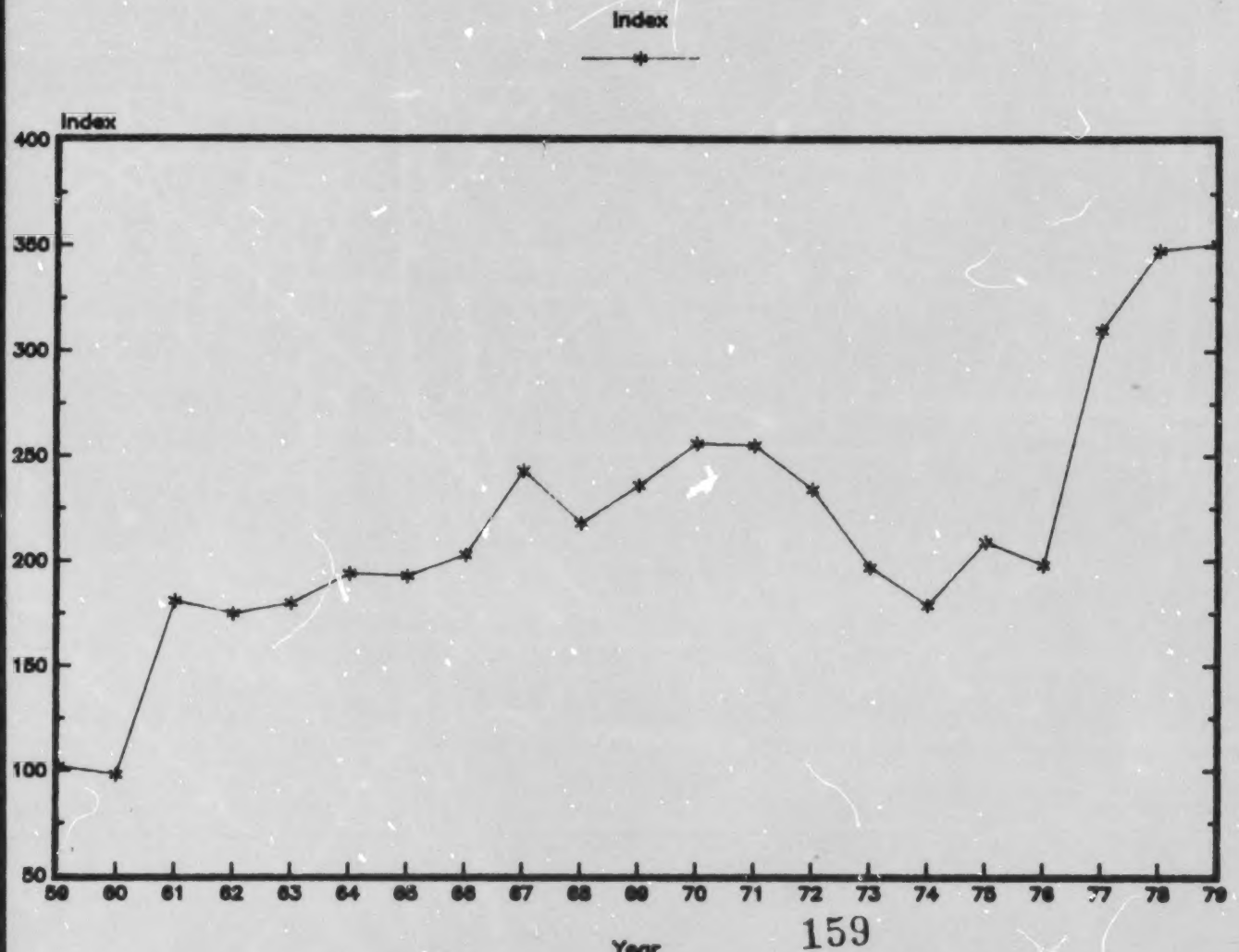
Poor financial management may not cause a loss of legitimacy, or decline, but it is difficult to recover unless fiscal responsibility is maintained. Recovery involves more effort than does maintenance. "It is easier to keep warm than to get warm." Moreover when erosion of legitimacy occurs, it is often generalized to all parts of the institution (i.e., not only academics, but climate, finances, facilities, etc.). Therefore, repairs and remodeling are almost always required in several places in the institution. Responsible financial management is at the top on that list because of its potential to enhance institutional recovery (e.g., through the generation and wise use of slack resources).

Most parts of the institution must be congruent with, and support, the institutional mission. Academic programs and curriculum, for example, can drift away for the purpose for which the school is established. For Crossroads, this meant that an abundance of courses and majors were being offered that had little or no relevance to students in underdeveloped countries--a major constituent of Crossroads. When institutional roots were reaffirmed, the curriculum had to be changed to reflect that reaffirmation.

FIGURE 1H

Indexed* Headcount Enrollments (1959–1979)

Crossroads College

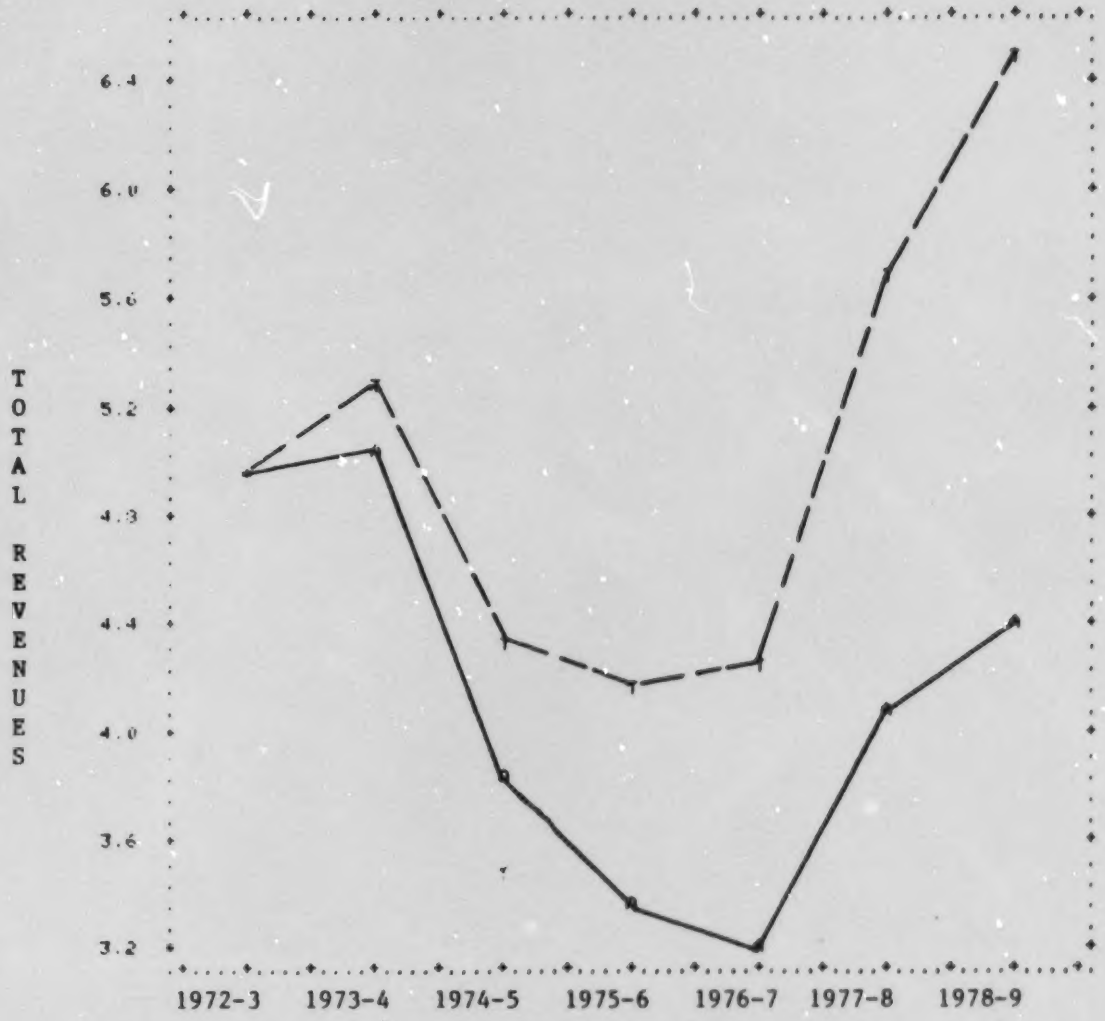


*Index based on average of first two years data

FIGURE 2H. CROSSROADS COLLEGE: Total Full-Time Equivalent Students by year 1973-1979

FIGURE 3H. CROSSROADS COLLEGE

1973-1979 Revenue Trends



T = Total revenues

A = Total revenues adjusted for inflation (HEPI)

TABLE 1H. CROSSROADS COLLEGE

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$ 623.55	$1,468.90	NA	NA	1,062
74	$ 731.24	$1,722.57	NA	NA	969
75	$1,329.94	$2,156.56	$132.21	$215.76	774
76	$ 955.85	$1,549.95	$110.69	$155.07	980
77	$ 944.34	$1,535.89	$115.52	$153.67	986
78	$ 991.01	$1,611.81	$ 79.63	$161.26	1,539
79	$1,042.81	$1,696.05	$ 75.15	$169.69	1,758
80	$1,140.85	$1,855.51	$ 82.22	$185.64	1,766

TABLE 2H. CROSSROADS COLLEGE STATISTICAL INFORMATION

1972-1973

Revenues

	Crossroads	Average	Ratio
Total E & G Revenues	3,438,176	3,792,250	.91
E & G Tuition and Fees	662,215	2,789,708	.24
E & G Endowment		147,703	
E & G Private Gifts	2,500,487	479,057	5.22
E & G Other Sources	231,765	122,524	1.89
Private Student Aid Grants-Gifts	66,720	45,101	1.48
Student Aid Endowment Income		18,858	
Other Major Service Programs			
Aux. Enter House Food Service	1,045,338	826,729	1.26
Other Aux. Enterprises	398,779	232,065	1.72
Grand Total Current Funds Revenues	4,969,013	5,129,185	.97

Expenditures

Total Education & General	3,437,950	5,129,185	.67
E & G Expend Instruction-Dept. Res.	1,559,977	1,624,149	.96
E & G Libraries	239,915	154,109	1.56
E & G Physical Plant Maintenance	583,068	431,057	1.35
Student Aid Total	86,945	572,399	.15
Grand Total Current Funds	4,923,225	5,070,955	.97
Aux. Enterprises Other	392,655	278,418	1.41
Other Service Programs		1,040,137	
Aux. Enterprises House & Food	1,045,338	757,810	1.38
Estimate of Total Physical Plant	492,000	98,720	4.98

Demographics

Total Full-Time Enrolled	1,100	1,489	.74
Undergraduate Men Full-Time	526	66	
Undergraduate Women Full-Time	472	643	.73
Undergraduate Total	1,057	1,494	.70
FirstT Full-Time	95	175	.54
FirstT Total	218	369	.59
Total Women Part-Time			
Grand Total	1,129	1,677	.71
Men Total 9-10 Months			
Men Total 9-10 Months Av. Salary		9,832	
Women Total 9-10 Months		17	
Women Total 9-10 Months Av. Salary		8,114	
BA Total	133	325	.40

TABLE 2H. CROSSROADS COLLEGE STATISTICAL INFORMATION (cont'd)

1980-1981

Revenues

	Crossroads	Average	Ratio
Tuition & Fees	2,014,749	4,003,894	.50
Gov. Grants Federal Restricted		455,069	
Gov. Grants State Restricted			
Private Gifts & Grants Unrestricted	1,679,920	576,669	2.91
Private Gifts & Grants Restricted	118,088	125,411	.94
Endowment Unrestricted			
Endowment Restricted			
Sales & Service Auxiliary	2,944,719	1,474,250	2.00
Other Sources	354,702	249,776	1.42
Revenues Total	7,112,178	7,324,891	.97

Expenditures

E & G Instruction	3,267,833	2,235,817	1.47
E & G Academic Support Total	241,196	387,400	.62
Student Services	327,845	596,741	.55
Institutional Support	551,916	995,952	.55
Plant Operation & Maintenance	482,394	710,194	.68
Scholarships Awards Unrestricted			
Scholarships Awards Restricted	145,192		
E & G Mandatory Transfers			
E & G Total	5,025,376	579,311	
Auxiliary Enterprises	2,944,719	1,464.678	
Expenditures Total	7,970,095	7,258,990	1.10

Demographics

Total Full-Time Enrolled	1,766	1,302	1.36
Full-Time Undergraduate Women	1,038		
Full-Time 1st Time Freshmen Women	209		
Part-Time Total Men	13		
Part-Time Total Women	21		
Part-Time Total FTE	10	133	.08
Grand Total Women	1,059		
Men Total 9-10 Months	54	53	
Men Total 9-10 Month Total Salary	0	875,234	
Men Total 9-10 Month Tenure	29	33	.87
Women Total 9-10 Months	38	19	2.00
Women Total 9-10 Month Total Salary		266,105	
Women Total 9-10 Month Tenure	11	7	
BA Total	100	245	.41
BCNT Count BA Program	10	12	
Carncode	32		
Full-Time Undergraduate Men	718	29	
Grand Total Men	731		

TABLE 3H. CROSSROADS COLLEGE

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	481,860	0	0	0	2,575,262	1,515,306	4,572,428
73	662,215	0	0	0	2,500,487	1,806,311	4,969,013
74	708,570	0	0	0	2,675,521	1,932,754	5,316,845
75	1,029,375	0	0	0	1,558,134	1,750,000	4,337,509
76	936,731	0	0	0	1,558,134	1,630,000	4,124,865
77	931,119	0	0	0	1,636,040	1,639,155	4,206,314
78	1,525,172	0	0	0	1,636,040	2,528,559	5,689,771
79	1,833,257	0	0	0	1,636,040	3,002,203	6,471,500
80	2,014,749	0	0	0	1,798,008	3,299,421	7,112,178

156

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	1,531,868	0	0	528,595	881,140	NA	NA	NA	86,000	3,202,059	4,581,840
73	1,559,977	0	0	583,068	944,222	NA	NA	NA	86,945	3,437,950	4,923,225
74	1,669,175	0	0	623,883	1,010,318	NA	NA	NA	93,031	3,678,607	5,267,851
75	1,669,175	0	0	340,000	389,000	102,334	170,000	167,000	NA	2,837,509	4,337,509
76	1,518,949	0	0	360,400	412,340	108,474	180,200	151,970	NA	2,732,333	4,097,333
77	1,514,392	0	0	378,420	432,957	113,898	189,210	151,514	NA	2,780,391	4,141,296
78	2,480,574	0	0	407,179	465,861	122,554	203,589	248,180	NA	3,927,937	6,157,099
79	2,981,650	0	0	438,939	502,198	132,113	219,469	298,312	NA	4,572,681	7,252,134
80	3,276,823	0	0	482,394	551,916	145,192	241,196	327,845	NA	5,025,376	7,970,095

TABLE 4H. CROSSROADS COLLEGE

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	10.5	0.0	0.0	0.0	56.3	33.1
73	13.3	0.0	0.0	0.0	50.3	36.4
74	13.3	0.0	0.0	0.0	50.3	36.4
75	23.7	0.0	0.0	0.0	35.9	40.3
76	22.7	0.0	0.0	0.0	37.8	39.5
77	22.1	0.0	0.0	0.0	38.9	39.0
78	26.8	0.0	0.0	0.0	28.8	44.4
79	28.3	0.0	0.0	0.0	25.3	46.4
80	28.3	0.0	0.0	0.0	25.3	46.4
$*\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

157

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	33.4	0.0	0.0	11.5	19.2	NA	NA	NA	1.9	69.9
73	31.7	0.0	0.0	11.8	19.2	NA	NA	NA	1.8	69.8
74	31.7	0.0	0.0	11.8	19.2	NA	NA	NA	1.8	69.8
75	38.5	0.0	0.0	7.8	9.0	2.4	3.9	3.9	NA	65.4
76	37.1	0.0	0.0	8.8	10.1	2.6	4.4	3.7	NA	66.7
77	36.6	0.0	0.0	9.1	10.5	2.8	4.6	3.7	NA	67.1
78	40.3	0.0	0.0	6.6	7.6	2.0	3.3	4.0	NA	63.8
79	41.1	0.0	0.0	6.1	6.9	1.8	3.0	4.1	NA	63.1
80	41.1	0.0	0.0	6.1	6.9	1.8	3.0	4.1	NA	63.1
$*\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

$*\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 5H. Crossroads College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

CROSSROADS COLLEGE

	Scholarships& Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$3,202,059		$4,581,840	
	100.0		100.0		100.0	
1972-73	$0		$3,437,950		$4,923,225	
	.0	.0%	107.4	7.4%	107.5	7.5%
1973-74	$0		$3,678,607		$5,267,851	
	.0	.0%	114.9	7.0%	115.0	7.0%
1974-75	$102,334		$2,837,509		$4,337,509	
	.0	.0%	88.6	-22.9%	94.7	-17.7%
1975-76	$108,474		$2,732,333		$4,097,333	
	.0	6.0%	85.3	-3.7%	89.4	-5.5%
1976-77	$113,898		$2,780,391		$4,141,296	
	.0	5.0%	86.8	1.8%	90.4	1.1%
1977-78	$122,554		$3,927,937		$6,157,099	
	.0	7.6%	122.7	41.3%	134.4	48.7%
1978-79	$132,113		$4,572,681		$7,252,134	
	.0	7.8%	142.8	16.4%	158.3	17.8%
1979-80	$145,192		$5,025,376		$7,970,095	
	.0	9.9%	156.9	9.9%	173.9	9.9%

MONUMENT COLLEGE

PROFILE

Location:	Small town, Midwest
Type:	Protestant affiliated, coeducational Liberal Arts II
1981 enrollment:	655 FTE
Date founded:	1850
1981 cost:	$6600 (tuition, room, and board) 85% of students receive financial aid

The Story of Monument College

Monument College is a regional, moderately selective, coeducational institution. It was originally founded by a religious denomination as a preparatory school for its ministers. Although it has maintained its religious affiliation, its close identification with the church has waned in recent years. The college consists of approximately 25 buildings on 35 acres in the residential section of a small agrarian community.

Branches. Monument has no branch campuses.

Competition. There is one selective liberal arts college located within 30 miles of Monument.

Enrollments and Students

Enrollment grew steadily from a 1959 level of 550 to a peak of 1338 in 1971. However, within four years enrollments had receded to under 700. Since that time the size of the student body has hovered around 650. The college administration's major concern in the area of enrollment is retention, more than recruitment. They have enough new students entering each year to increase their enrollment by 20%, but as of 1980 one half of the entering freshman class dropped out before their junior year. Their current enrollment objectives are to upgrade the quality of their student body and to retain a larger percentage of their underclassmen.

Students. The student body is drawn primarily from a 200 mile radius of the campus; over 80% are in-state residents. Some are referred by local religious leaders, but recently the college has developed a strong recruiting program on its own. The current president is a strong, eloquent advocate of a liberal arts education and is much in demand as a public speaker. His objective is to attract the upper 20% of local high school graduates--to awaken the intellects of young people who have had limited exposure to the broad range of ideas and events outside their locale. The success of Monument's efforts is reflected in the fact that over half its students graduate in traditional liberal arts and sciences programs and close to 20% of them go on to pursue graduate degrees.

During the late 1960s the college recruited a large number of students from the East Coast, but most did not stay long because they had difficulty adapting to the local culture. The college has had a strong commitment to coeducation from its beginning and today the student body is divided evenly between males and females.

Student life. The college has been handicapped by a lack of facilities for accommodating a diversity of extra-curricular activities, especially during the winter months. Because of its geographic isolation and the small size of the community, the college has had to assume a greater responsibility for providing opportunities for student recreation. The large gymnasium and physical education building currently under construction will fill a large need on campus. Most students live in dormitories and eat in a common cafeteria. Most of the dorms are quite new and the college has tried to accommodate student preferences for living arrangements, including private rooms and coed dorms. Several fraternities and sororities are also very visible on campus.

Faculty, Administrators, and Others

Faculty. Monument is proud of its strong and loyal faculty. The average faculty member has been at the college for about fifteen years. About two thirds have their Ph.D. and very few are part time. While a faculty position at a small liberal arts college is often viewed as a stepping stone to a position at a more prestigious or better paying college, this does not seem to be the case at Monument. The core faculty have been there for a long time and are very loyal to the institution and to the liberal arts education philosophy. There is a strong norm of faculty involvement in matters of self-determination and educational policy. A recent president seriously offended the faculty by trying to shape Monument into a community college. The faculty resisted the initiative partly on philosophical grounds and partly because he attempted to circumvent the norms of faculty control. This norm of self-determination was present even during the crisis years of the early 1970s. When the president concluded that 20 faculty members would have to be terminated for financial reasons, the executive committee of the faculty senate decided who should be asked to leave.

Administration. Monument's history reflects the strong, but highly diversified, personalities of its presidents. The first non-ministerial president was appointed in 1964. He was a dynamic individual who utilized a very aggressive leadership style. He had lofty aspirations for the college and was extremely effective in promoting Monument and his vision of its potential. He was convinced that the college could attract students from a broader geographic area and counted on this strategy to double the size of enrollment. He employed a full time recruiter on the East Coast and initiated aggressive faculty and building expansion programs to accommodate the swelling number of students. This era in the history of Monument College has been described as the "euphoric years." The quality of the faculty and student body improved dramatically; new buildings were built with easily accessible federal loans and grants; and the student body grew and diversified. The college's comparison group shifted from regional religious affiliated colleges to the elite liberal arts institutions in the country. However, just as it seemed that Monument might actually fulfill its dream of national prominence, a number

of events seemed to conspire to hold it back. The president announced his resignation; the student body became increasingly restive as they grappled with social issues prominent in the late 1960s; federal funding began drying up; and student enrollment dropped off drastically.

The new president, in 1970, was the opposite of his predecessor in terms of objectives, philosophy and personality. He was viewed as more concerned with educational philosophy, less flamboyant, and more democratic. As it became increasingly evident that the goals of the former president were unrealistic, the new president's mandate was to help the institution rediscover its identity. He proposed some exciting new ideas for curriculum redesign but was not very skillful in working with the faculty to translate his ideas into specific plans they could support. Furthermore, soon after taking office he found that he had to spend most of his time attending to the college's fiscal crisis. The campus was saddled with heavy debts from its new dormitories and not enough students to fill them. Faculty had to be terminated and services curtailed. Unfortunately, these were tasks for which this president was not particularly well suited. The faculty soon began to feel that he was avoiding tough decisions and not involving the faculty in those decisions he was making. As a result, the alienation between the administration and faculty grew to the point where the president no longer presided at faculty meetings. The turmoil on campus became so obvious that recruiters from a nearby college began telling high school students that Monument College would probably not last another year. The situation became so oppressive that the president soon resigned.

The next president was hired (in 1974) because the faculty saw in him the qualifications they felt were necessary to resolve the organization's crisis. He was a retired military officer with a forceful personality and considerable business savvy. He quickly initiated severe financial cuts, aggressively pursued new sources of revenue, and obtained permission to defer some scheduled payments on Monument's loans from the federal government. He used his personal sensitivity to political issues, enormous capacity for work and attention to detail, and forthright leadership style to restore confidence on campus. He felt his mission was to save the school from bankruptcy and so six years later when that had been accomplished he accepted the presidency of another institution.

The current president was selected in 1980, again, to complement the weaknesses of his predecessor. He is warmer interpersonally, has a less militaristic view of college administration, possesses a splendid record as a faculty member and dean at a highly regarded college, and is an eloquent public speaker. The current administration has taken up the task to reshaping the educational philosophy of the college and re-establishing strong links with its old constituencies, who felt ignored during the drive for national prominence and the ensuing period of extreme financial crisis. Both the current president and dean have distinctive competencies in curriculum development and are working hard to initiate an innovative liberal arts curriculum.

Constituencies. As suggested earlier the constituencies of Monument College have shifted over the years. The traditional ties to alumni, the local community, and the sponsoring religious organization were overlooked for several years as the college pursued "more pressing matters." For example, a recent survey conducted by a staff member found that a large number of ministers in their sponsoring church in the surrounding communities didn't even know that Monument College had a religious

affiliation. Current efforts to rebuild that linkage include inviting religious leaders to campus, making the campus facilities available for church functions, and providing speakers for local congregations. Monument has also increased its staff in the alumni and fund raising offices. They have developed a computerized listing of alumni, past donors, and potential donors. Members of the faculty and staff describe with great pride the numerous speeches the current president has made in the surrounding communities. He has become a popular speaker for religious, education, and civic programs. His public visibility has done much to rebuild regional identification with the college.

Academic Programs

Monument College emphasizes the traditional liberal arts majors. While it has established several joint programs with universities and medical centers for career training, the majority of students still select humanities and science programs. While this may be related to its geographic isolation, it also speaks well of the college's strong reputation in these subject areas. The curriculum is particularly strong in the sciences, where it has an impressive track record of placing its graduates in excellent graduate schools. Currently, Monument is focusing its curriculum on the topic of values--in keeping with its liberal arts and religious orientations. As part of this new curriculum students in all four classes will be required to take core courses focusing on personal, political, social, religious, and artistic values. In addition, Monument has instituted a freshman seminar that helps them to integrate their course work and to develop stronger social cohesion as a class. The present administration is also working hard to develop an awareness that the college is a unified academic community--rather than simply an aggregate of courses and programs. To foster this they have initiated a colloquium series featuring outside speakers and presentations from different internal academic units and programs.

Planning

Relatively little long range planning was done at Monument College until recently. During the euphoric years of rapid expansion it wasn't deemed necessary, and during the period of severe crisis it was incompatible with the struggle for survival. At one point during this time the key figure in the business office was a senior at the college working part-time to get some practical experience in accounting. There were gaps in the records; financial control practices were not implemented uniformly; and planning beyond a single fiscal year was nonexistent. Having pushed the wolves away from the door the college has now established long term targets for enrollments and annual giving. In addition, strong management controls have been instituted.

Financial Situation

Monument College assumed an extremely heavy indebtedness during its years of rapid expansion. A key to the financial survival of the college

was the federal government's willingness to defer the loan repayment schedule. Currently the college owes approximately $4.5 million in principle and $.5 million in delinquent interest. Officials feel comfortable with the current debt load and have a realistic repayment schedule laid out. Monument has been relatively successful in fund raising. They recently raised $1.5 million in a capital drive for their new auditorium, and they have increased their endowment from $2 million to $5 million during the past fifteen years. The school has benefitted from the contribution of several tracts of land in the Midwest which they sold at various times to meet operating expenses. To raise more money, they have renovated three dormitories that had been closed down during the financial crisis. One is rented to students willing to pay extra for a private room, another is used for adult education, and the third will be used for conferences. The college has also been aggressive in soliciting federal education and employment training grant money through the CETA program. Overall, the present administration feels the college is back on its feet financially after several years of extreme austerity.

Commentary on Monument College

Causes of College Problems

The root problem at Monument College was that they overbuilt during the last half of the 1960s. This created a sizeable debt that was difficult for them to manage when enrollments dropped. The college's financial problems were exacerbated by a small endowment (less than $2 million). The college overbuilt during this period because officials believed the optimistic (and, in retrospect, unrealistic) projections that the high school student population would continue to bulge as a larger percent of each graduating class sought the advantages of a college degree. They also expected that the strong support of higher education from the federal government (in terms of student loans and low interest construction loans) would continue to expand indefinitely. Basically, the college was seduced into believing that it could become a large, highly visible, elite institution drawing students from all regions and social strata.

While there were justifiable reasons for believing these heady projections and expectations, not all small, regional colleges overbuilt as badly as Monument. Consequently, the fault has to lie with the president during this time who promised the faculty what he couldn't deliver, but what they wanted to believe was possible. Once the downturn in enrollments began the college was poorly managed, largely because the president who had been hired at the crest of the enrollment curve in 1970 was unsuited in terms of his disposition, skills, and background for effectively handling the difficult management tasks associated with retrenchment.

College Response to Problems

Once retrenchment was in full swing at Monument and the inability of the current president to deal with it was obvious, the college hired a new

president (in 1974) believed to be better suited for the job. This president is generally credited with saving the college through his forceful leadership and tenacity in implementing austerity programs. He deferred loan agreements and won concessions from utility companies on their rates. He also sought new sources of income, e.g., developing the food service into a catering business, and emphasizing work study programs funded by CETA. All maintenance that could be deferred, was, but the president took great pride in maintaining the appearance of the campus. His motto, "It doesn't cost much to cut the grass," undoubtedly reflected his military background, but it had a very positive effect on campus morale. Faculty and students continued to take pride in their campus, even though the school was in serious trouble.

Once the college got back on its feet financially this president felt that his job had been completed and left in 1980, making room for the present administration that has re-emphasized educational philosophy and rekindled the intellectual flame on campus.

The Lessons in Monument's Experience

It is better to have been seduced and abandoned, than to have been ignored all along. This somewhat crass phrase aptly portrays the feeling at Monument College. The current mood on campus is very optimistic. They are not very satisfied with their "lot in life." They had their fling at trying to become a national powerhouse in the collegiate ranks. They can now see that they are not well suited for that role, and as a result they have redoubled their efforts to serve their regional, religious constituents. They experienced the glamour of attracting a national student body, as well as the pain of trying to help easterners acculturate to an isolated rural midwestern community. As a result, the fresh scrubbed appearance and intellectual innocence of the local farm kids is far more appealing than before. In general, the college faculty point to many bumps and bruises from this period of dashed expectations, but they feel that overall it was a beneficial experience for the college. They seem to feel they are wiser, more mature, and more realistic now (almost like middle-aged mellowness after a young adult identity crisis).

The environment made it too easy for Monument College to become badly overextended. There was the promise of easy federal support, a large number of eastern students looking for an alternative to high priced elite private colleges, and an overall euphoric atmosphere in higher education at the time. While it is easy, in retrospect, to chastise the faculty and administration of this particular college for not being able to resist the temptation of over building, to stop there would be to overlook the broader implications for educational policy. Certainly the institution of higher education as a whole must take some responsibility for the large number of second and third tier colleges that followed the cycle described herein. Professional societies, federations, the federal government, and state systems should all examine their actions that contributed to this scenario and prepare for the future situations when demographic figures, financial conditions, and societal events all converge to create another period of euphoric (but unrealistic) expectations in higher education. Certainly it will come, so it is important that we learn from the 1960-70s cycle how better to manage growth so that the onslaught of retrenchment is not so traumatic for our colleges and universities in the future.

An expansion of organizational mission often alienates core support groups. The drive to national prominence and fight for survival so totally preoccupied the time and interests of the Monument College's faculty and administration for a decade that they neglected critical constituencies, such as alumni, religious leaders and local community figures. An institution that had once been the source of considerable regional pride and acclaim became almost a total stranger to those who knew and cared about it most.

Monument's experience reflects the basic truism, "It is harder to rebuild betrayed friendships than to build totally new ones." They are currently having considerable difficulty patching up their relations with old constituencies. While this shouldn't create a serious long term problem for the college, the administration has been sobered by the difficulty of rebuilding trust and loyalty.

It is difficult to restructure a college's educational philosophy and curriculum, while also addressing a pressing financial crisis. The latter must come first, and the former should not be attempted in the presence of the latter. In general, scarcity and change are the two major sources of uncertainty for members of organizations. To successfully manage uncertainty so that it does not reach the point where it creates a dysfunctional level of stress in individuals, it is advisable not to attempt a massive organizational overhaul during a period of financial austerity--unless it is clear that the change is necessary in order to save the organization. At Monument the president who came in 1970 during the tail-end of the growth cycle arrived with a mandate to formulate some new approaches to education. He tried to fulfill that mandate despite the crunch of retrenchment. As a result, he failed at implementing his changes and successfully managing the retrenchment process. But more critically, he lost the confidence of the faculty because they felt he was increasing, rather than decreasing, their levels of frustration and apprehension. So by trying to do everything at once he failed to accomplish anything and eventually lost his mandate to even try.

The style and orientation of the president best suited for managing a college's retrenchment is at least partly determined by the faculty's perception of the severity and duration of the financial crisis. I suspect that the retired Army colonel president (1974-1980) would have not been successful as a retrenchment manager if he had arrived on the scene three years earlier. At that time the faculty members were still clinging to their flickering aspirations and they weren't ready for a tough guy style in the president's office. It wasn't until there was the threat of bankruptcy that they were prepared to support the drastic measures and methods imposed by this president. As long as the faculty believed that the crisis was either not severe, or likely to be short lived, they opted for a more traditional, prosaic administrator who attended primarily to matters of educational philosophy and pedagogy.

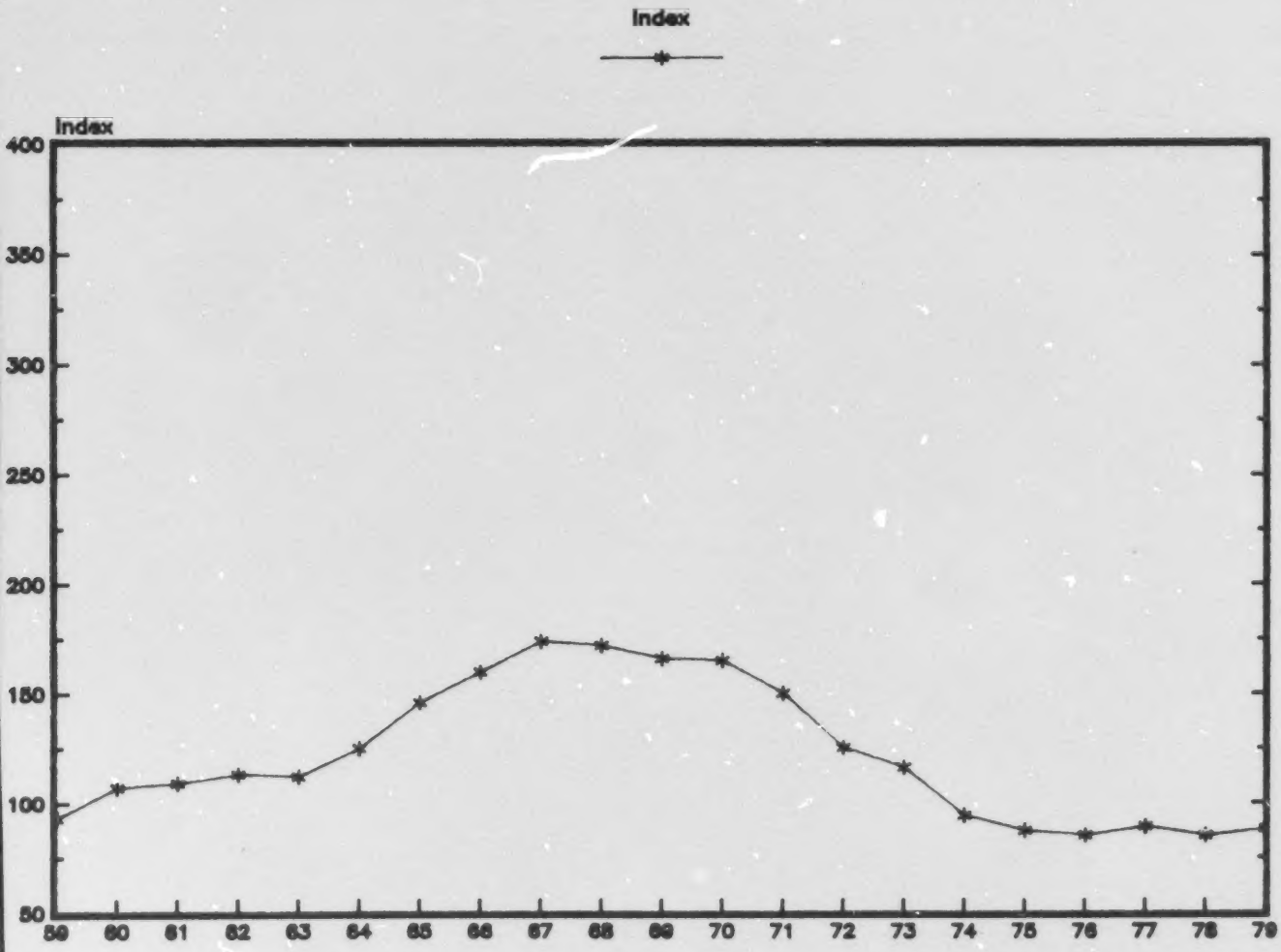
The crisis at Monument College had as much to do with a loss of identity as it did with a depletion of financial resources. There was a great deal of conflict on campus during this era--much of it stemming from austerity. But that accounts for only part of the animosity expressed. Once the college left the safety of its traditional role as a small, religious, liberal arts college some members of the faculty became uncomfortable with the new objectives and norms associated with the drive for national prominence. In general, these reservations remained latent as long as the positive side-benefits of growth were evident. But when

the bottom fell out of the growth curve a great deal of latent hostility about the advisability of making the changes in the first place bubbled to the surface. These sparked strong ideological debates over the purpose and mission of Monument College specifically, and liberal arts colleges in general. In some respects this sense of alienation was more divisive within the college community than the normal (though often sharp) conflicts over priorities for balancing the budget.

Organizational growth needs to be accompanied by strong managerial controls. Otherwise the euphoria of rapid growth tends to distort members' perspective and foster sloppy decisionmaking. As a result, if it becomes necessary to cut back, retrenchment is much more difficult to implement smoothly. Instead of a systematic long term approach to planning, rapid growth fosters short term opportunism. For example, a college has a growing student body and ample tuition money. There is an opportunity to hire a strong professor in Oriental history so they make an offer, without systematically figuring how this person is going to fit into the long term plans for the history department, or the college as a whole. If there is any planning at all during a period of rapid growth it is usually driven by current student demands. If Department X seems to be offering popular majors now, the college reflexively enlarges that faculty without much consideration for the impact of doubling the size of the staff in one area. The current president of Monument College stated the problem well, "During a period of rapid growth, administrators think only in terms of continued growth. They seldom stop to consider what would happen if their assumptions about the future are wrong. In contrast, the wise college president plans for the possibility of retrenchment on the way up the growth curve."

Figure 11

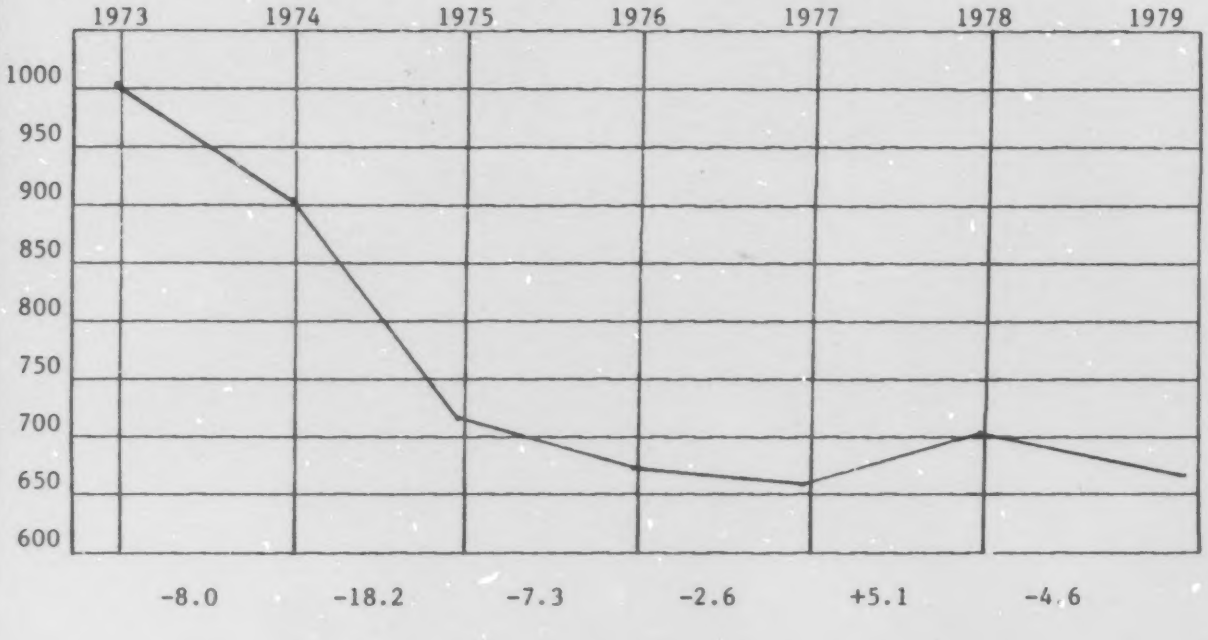
Indexed* Headcount Enrollments (1959–1979)
Monument College



*Index based on average of first two years data

Figure 2I. Monument College: Total Full-Time Equivalent

Student by year 1973 - 1979



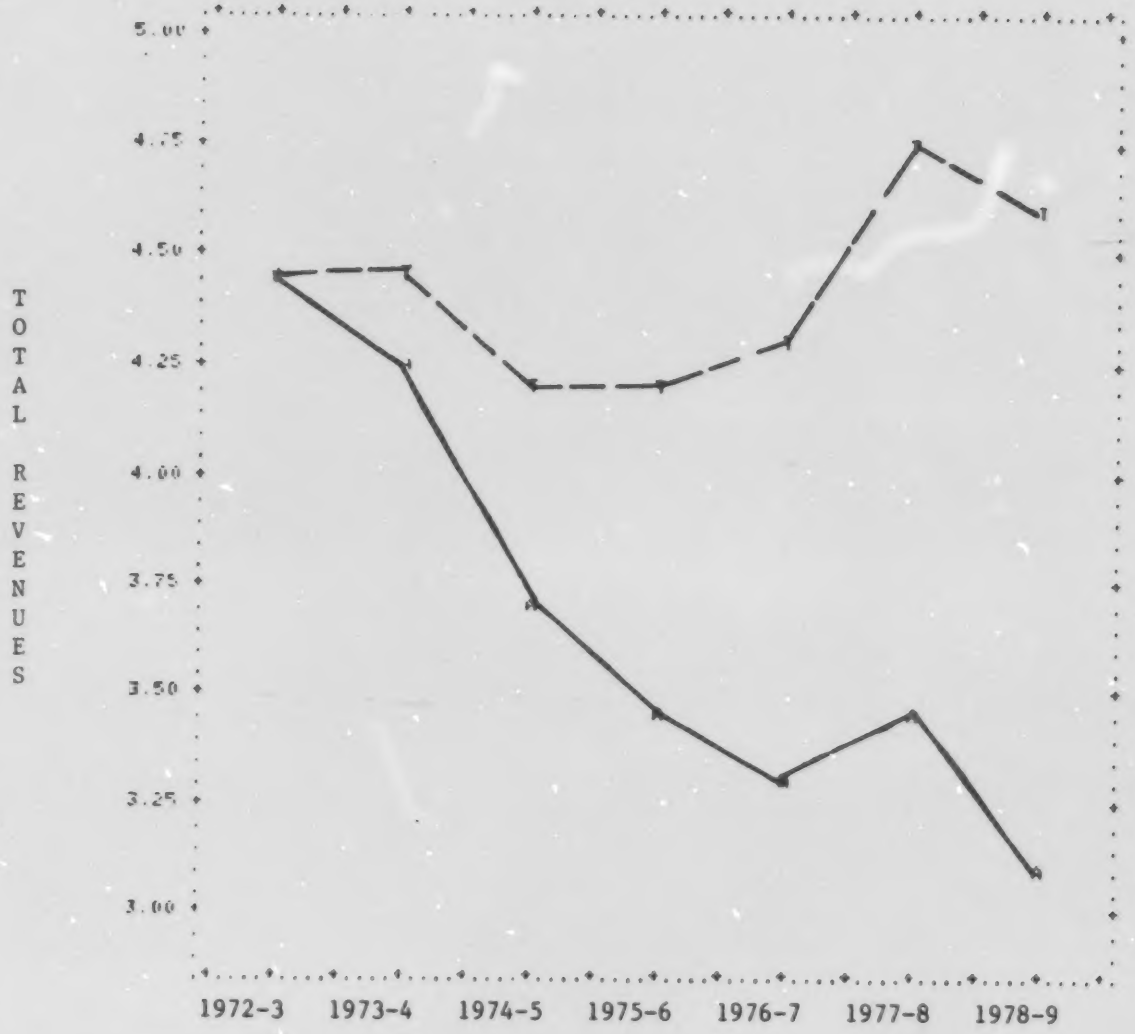


Figure 3I. Monument College 1973-1979 Revenue Trends

T = total revenues

A = total revenues, adjusted for inflation (HEPI)

Table II. Monument College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	2,756,868	81,900	0	69,041	428,725	1,769,598	5,106,132
73	2,279,250	83,400	0	153,520	435,850	1,487,649	4,439,669
74	2,259,227	84,400	0	234,173	335,229	1,544,130	4,457,159
75	1,966,663	69,969	464,372	324,243	470,071	889,616	4,184,934
76	1,840,332	68,457	797,082	250,403	342,247	903,435	4,201,956
77	1,800,505	0	684,528	256,912	503,516	1,065,628	4,311,089
78	1,976,907	0	854,393	288,026	490,530	1,162,782	4,772,638
*79	2,058,759	0	392,434	334,208	520,656	1,271,511	4,577,568
80	2,297,218	0	365,024	380,015	559,215	1,466,553	5,068,025

170

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	1,413,362	0	0	519,306	879,489	NA	NA	NA	1,029,157	2,997,254	5,026,980
73	1,323,762	0	0	415,984	867,615	NA	NA	NA	963,453	2,730,832	4,639,016
74	1,380,323	0	0	418,478	816,449	NA	NA	NA	994,730	2,728,287	4,554,692
75	1,373,870	0	0	431,859	181,793	868,371	107,963	100,000	NA	3,591,990	4,413,255
76	1,138,870	0	0	295,622	511,341	876,153	90,382	276,523	NA	3,188,891	4,039,758
77	1,228,107	0	0	302,039	417,420	765,270	126,530	285,089	NA	3,158,119	4,186,070
78	1,295,156	841	0	329,620	469,542	965,263	147,273	296,416	NA	3,535,422	4,682,959
79*	1,503,860	0	0	378,214	491,672	397,693	152,062	355,342	NA	3,321,475	4,539,224
80	1,524,414	0	0	460,271	532,174	429,053	250,054	401,936	NA	3,636,260	4,879,084

* In 1979, ISMA and SEOG fund accounting changed from a restricted fund to an agency fund. Therefore, the unamended figures for the years before 1979 appear to be overstated.

Table 2I. Monument College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	54.0	1.6	0.0	1.4	8.4	34.7
73	51.3	1.9	0.0	3.5	9.8	33.5
74	50.7	1.9	0.0	5.3	7.5	34.6
75	47.0	1.7	11.1	7.7	11.2	21.3
76	43.8	1.6	19.0	6.0	8.1	21.5
77	41.8	0.0	15.9	6.0	11.7	24.7
78	41.4	0.0	17.9	6.0	10.3	24.4
79	45.0	0.0	8.6	7.3	11.4	27.8
80	45.3	0.0	7.2	7.5	11.0	28.9
*$\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

171

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	28.1	0.0	0.0	10.3	17.5	NA	NA	NA	20.5	59.6
73	28.5	0.0	0.0	9.0	18.7	NA	NA	NA	20.8	58.9
74	30.3	0.0	0.0	9.2	17.9	NA	NA	NA	21.8	59.9
75	31.1	0.0	0.0	9.8	4.1	19.7	2.4	2.3	NA	81.4
76	28.2	0.0	0.0	7.3	12.7	21.7	2.2	6.8	NA	78.9
77	29.3	0.0	0.0	7.2	10.0	18.3	3.0	6.8	NA	75.4
78	27.7	0.0	0.0	7.0	10.0	20.6	3.1	6.3	NA	75.5
79	33.1	0.0	0.0	8.3	10.8	8.8	3.3	7.8	NA	73.2
80	31.2	0.0	0.0	9.4	10.9	8.8	5.1	8.2	NA	74.5
*$\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

*$\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3I. Monument College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$2,332.91	$1,354.93	NA	NA	977
74	$2,513.04	$1,535.40	NA	NA	899
75	$2,675.73	$1,869.21	$1,181.46	$136.05	735
76	$2,702.40	$1,672.35	$1,286.57	$406.05	681
77	$2,715.69	$1,852.35	$1,154.25	$430.00	663
78	$2,836.31	$1,858.19	$1,384.88	$425.27	697
79	$3,095.88	$2,261.44	$ 598.03	$534.35	665
80	$3,343.84	$2,218.94	$ 624.53	$585.06	687

Table 4I. Monument College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue		Gifts Revenue		Endowment Revenue		Total Revenue		Total TOTFTE	
1971-72	$2,756,868		$428,725		$69,041		$5,106,132			
	100.0		100.0		100.0		100.0			
1972-73	$2,279,250		$435,850		$153,520		$4,439,669		977	
	82.7	-17.3%	101.7	1.7%	222.4	122.4%	86.9	-13.1%	100.0	
1973-74	$2,259,227		$335,229		$234,173		$4,457,159		899	
	81.9	-.9%	78.2	-23.1%	339.2	52.5%	87.3	.4%	92.0	-8.0%
1974-75	$1,966,663		$470,071		$324,243		$4,184,934		735	
	71.3	-12.9%	109.6	40.2%	469.6	38.5%	82.0	-6.1%	75.2	-18.2%
1975-76	$1,840,332		$342,247		$250,403		$4,201,956		681	
	66.8	-6.4%	79.8	-27.2%	362.7	-22.8%	82.3	.4%	69.7	-7.3%
1976-77	$1,800,505		$503,516		$256,912		$4,311,089		663	
	65.3	-2.2%	117.4	47.1%	372.1	2.6%	84.4	2.6%	67.9	-2.6%
1977-78	$1,976,907		$490,530		$288,026		$4,772,638		697	
	71.7	9.8%	114.4	-2.6%	417.2	12.1%	93.5	10.7%	71.3	5.1%
1978-79	$2,058,759		$520,656		$334,208		$4,577,568		665	
	74.7	4.1%	121.4	6.1%	484.1	16.0%	89.6	-4.1%	68.1	-4.6%
1979-80	$2,297,218		$559,215		$380,015		$5,063,025		687	
	83.3	11.6%	130.4	7.4%	550.4	13.7%	99.3	10.7%	70.3	3.3%

Table 5I. Monument College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships& Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$2,997,254		$5,026,980	
	100.0		100.0		100.0	
1972-73	$0		$2,730,832		$4,639,016	
	.0	.0%	91.1	-8.9%	92.3	-7.7%
1973-74	$0		$2,728,287		$4,554,692	
	.0	.0%	91.0	-.1%	90.6	-1.8%
1974-75	$868,371		$3,591,990		$4,413,255	
	.0	.0%	119.8	31.7%	87.8	-3.1%
1975-76	$876,153		$3,188,891		$4,039,758	
	.0	.9%	106.4	-11.2%	80.4	-8.5%
1976-77	$765,270		$3,158,119		$4,186,070	
	.0	-12.7%	105.4	-1.0%	83.3	3.6%
1977-78	$965,263		$3,535,422		$4,682,959	
	.0	26.1%	118.0	11.9%	93.2	11.9%
1978-79	$397,693		$3,321,475		$4,539,224	
	.0	-58.8%	110.8	-6.1%	90.3	-3.1%
1979-80	$429,053		$3,636,260		$4,879,084	
	.0	7.9%	121.3	9.5%	97.1	7.5%

Table 6I. Monument College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr	Market Value Beg of Yr	Book Value End of Yr	Market Value End of Yr	Yield
1971-72	$2,182,375 100.0	$2,232,993 100.0	$3,583,909 100.0	$3,829,068 100.0	$106,032 100.0
1972-73	$3,583,909 164.2 64.2%	$3,829,068 171.5 71.5%	$4,146,562 115.7 15.7%	$4,267,242 111.4 11.4%	$193,790 182.8 82.8%
1973-74	$4,146,562 190.0 15.7%	$0 .0 -100.0%	$4,650,180 129.8 12.1%	$0 .0 -100.0%	$270,173 254.8 39.4%
1974-75	$4,615,374 211.5 11.3%	$4,270,162 191.2 .0%	$3,869,587 108.0 -16.8%	$3,869,587 101.1 .0%	$326,615 308.0 20.9%
1975-76	$3,869,587 177.3 -16.2%	$3,869,587 173.3 -9.4%	$3,318,445 92.6 -14.2%	$3,343,398 87.3 -13.6%	$287,627 271.3 -11.9%
1976-77	$3,318,445 152.1 -14.2%	$3,327,470 149.0 -14.0%	$3,369,980 94.0 1.6%	$3,386,668 88.4 1.3%	$259,982 245.2 -9.6%
1977-78	$3,369,980 154.4 1.6%	$3,386,668 151.7 1.8%	$3,424,910 95.6 1.6%	$3,347,776 87.4 -1.1%	$291,714 275.1 12.2%
1978-79	$3,533,041 161.9 4.8%	$3,455,907 154.8 2.0%	$3,677,077 102.6 7.4%	$3,662,891 95.7 9.4%	$338,136 318.9 15.9%
1979-80	$3,677,077 168.5 4.1%	$3,662,891 164.0 6.0%	$3,883,957 108.4 5.6%	$3,875,518 101.2 5.8%	$383,780 361.9 13.5%

Table 7I. Monument College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr		Additional Borrowed		Payments Made		Balance Owed End of Yr		Interest Payments	
1971-72	$4,573,000		$423,383		$67,000					
	100.0		100.0		100.0					
1972-73	$4,929,383		$0		$202,342					
	107.8	7.8%	.0	-100.0%	302.0	202.0%				
1973-74	$4,727,041		$0		$134,484					
	103.4	-4.1%	.0	.0%	200.7	-33.5%				
1974-75	$4,919,292		$0		$218,139		$4,701,153		$173,141	
	107.6	4.1%	.0	.0%	325.6	62.2%	100.0		100.0	
1975-76	$4,701,153		$0		$235,634		$4,465,519		$170,645	
	102.8	-4.4%	.0	.0%	351.7	8.0%	95.0	-5.0%	98.6	-1.4%
1976-77	$4,465,519		$0		$36,000		$4,429,519		$154,020	
	97.6	-5.0%	.0	.0%	53.7	-84.7%	94.2	-.8%	89.0	-9.7%
1977-78	$4,426,735		$0		$36,000		$4,390,735		$111,556	
	96.8	-.9%	.0	.0%	53.7	.0%	93.4	-.9%	64.4	-27.6%
1978-79	$4,390,735		$20,485		$279,735		$4,131,485		$83,725	
	96.0	-.8%	4.8	.0%	417.5	677.0%	87.9	-5.9%	48.4	-24.9%
1979-80	$4,131,485		$0		$40,485		$4,091,000		$188,874	
	90.3	-5.9%	.0	-100.0%	60.4	-85.5%	87.0	-1.0%	109.1	125.6%

RYKE COLLEGE

PROFILE

Location:	Midwestern, Urban
Type:	Protestant, Liberal Arts I
1981 enrollment:	1635 FTE
Date founded:	1874
1981 cost:	$7380 (tuition, room, and board)

The Story of Ryke College

Ryke is located in an economically healthy major city. The regional population is stable or slightly declining. Founded by Presbyterian missionaries in frontier days, Ryke had reached an enrollment of 1,780 students by 1959--three-fourths of them from in-state. During the 1950s a faculty member's book about the life of an early Ryke president, Nathan Rieder, won the commitment of his son, Clinton Rieder, who had become very wealthy. Rieder became highly involved with Ryke. At a 1961 conference, the college decided to recruit National Merit scholars from a wider geographic region. It also began looking for nationally recognized faculty members and dropped a few existing programs that fell outside the traditional liberal arts. The cost of these changes largely was underwritten by Clinton Rieder.

Three major themes have characterized Ryke throughout its history: relating to its urban setting, understanding the implications of internationalism, and showing concern for social issues.

Branches. Ryke does not offer courses off the main campus. It does offer opportunities for students to study abroad, under its own auspices and through consortia.

Competition. More than 50 colleges are located within a 30 mile radius of Ryke. This may be an advantage in that it enables Ryke to attract married faculty members whose spouses also want to teach nearby. Ryke is highly oriented toward the academically able, traditional age, full-time undergraduate student.

Enrollments and Students

As illustrated in figure 1J, Ryke's enrollment dropped from over 1,780 in 1959 to 1,500 in 1963. Enrollment was back up to 2,000 by 1969 and stayed there until 1973, when it dropped to 1,700 in two years. It has remained at about that level, with full-time equivalent (FTE) students numbering 1,635 in 1981.

Students. In-state students have always been Ryke's bread and butter, but their proportional enrollment dropped from about 75% in 1960 to 44% in 1982. The shift seems to be more representative of Ryke's

interest in diversifying its student body than of disaffection among potential in-state students. Ryke administrators remain keenly aware of the importance of their in-state market, although this awareness has not always been a high priority. During the 1960s, the drive for more top students from around the country left some well-qualified in-state students unadmitted, including applicants whose parents had attended Ryke. During the 1968-71 administration, the president's interest in enrolling minority students and Ryke's portrayal in the press as a regional focus of student activism further alienated some of the local constituency in this relatively conservative, education-oriented, almost entirely Caucasian state.

Ryke's interest in enrolling minority students came suddenly to full flower with the 1968-71 administration. Eighty full scholarships, amounting to approximately 15% of the entering class size, were allocated to minority students and a substantial staff was hired to help meet their needs. This change proved disruptive and unmanageable, and emphasis on recruiting minorities was scaled back during the 1970s. Minorities were 14% of the student body in 1973 but fell to 7% by 1982.

With the emphasis on recruiting National Merit Scholars during the 1960s, selectivity at Ryke was high by the end of that decade. During the 1970s selectivity declined as the school experienced difficulties to be discussed below. The average SAT score of entering students in 1981 had climbed again to over 1,100 and still further for the freshman class of 1982.

Many of the students who enroll at Ryke use the liberal arts curriculum to prepare them for professional and graduate schools. They seem less concerned about the immediate post-baccalaureate vocational utility of a liberal arts degree than students at some other colleges.

Student life. Although the students at Ryke appear to be liberal and activist in the context of their region, they are not exceptionally so by national standards. They did participate in protests when that was a national trend, but without any incidents of violence. Like students nationally, their activist behaviors have since modified substantially.

Students appear to be fairly autonomous. They participate to a high degree in internships and other educational opportunities afforded them by Ryke's urban location and international connections.

Faculty, Administrators, and Others

Ryke has retained a large proportion of the high quality faculty who were recruited during the 1960s. It has also had the services of a number of able administrators in key positions, especially during the past seven years.

Faculty. Building up the faculty was the focus of intensive efforts during the 1960s. About half of the current faculty started at Ryke in those years. They and their current colleagues are characterized as individuals who love to teach and remain active in research and publishing. Several have received national awards for their work. In 1982 74% of the faculty were tenured, and 80% of them had doctorates. The years 1968 through 1974 were difficult ones for the faculty at Ryke. The 1968-71 administration relegated academic matters to a low priority; in 1971-74, the president preferred a closed decision process and faculty were rarely consulted. During these years the institution was in turmoil

and its finances were uncertain. Some 10% of the faculty, as well as many staff members, were laid off at that time. The remaining faculty are said to have generally maintained their involvement in their work and their interest in the school, which constituted a significant advantage to the school in its efforts to recover. The administration since 1975 has worked successfully at re-establishing a strong and constructive relationship with the faculty.

Administrators. During the 1960s Mr. Rieder and his representatives were actively involved in implementing the 1961 plans to upgrade Ryke, and they played a strong role in the selection of a new president in 1968, the beginning of two and one-half stormy years. The new president's top--and apparently sole--priority was to involve Ryke in rectifying social ills. A cornerstone of that effort was a large, quickly implemented program for minority students. The tone of the administration supplemented existing attitudes among students nationwide, resulting in a good deal of overt social activism. At one point, for instance, students picketed a major corporation with whom good relations might have been of significant benefit to Ryke. In the apparent belief that he had a personal mandate from Rieder that Rieder would back with continuing and unquestioning financial support, the president spent college funds freely. One faculty member reported that he returned from sabbatical to find that he had been given the largest salary increase he has ever had, before or since. As Rieder became increasingly unhappy with the administration and dramatically curtailed his financial support. The college entered into a brief period of deficit spending.

The faculty and the trustees took action to secure this president's resignation. His successor, who served until the end of 1974, made sizable cuts in personnel and budgets under a mandate from the trustees. He communicated primarily with one other administrator, even deciding at one point that he would serve as academic dean rather than appoint any of the recommended candidates.

During 1975, the college was successful in recruiting the president who is still in office. He had been an urban school superintendent, and he had strong ties in the metropolitan community. The president is articulate in describing the mission and character of Ryke, he has strong administrative skills, and he has exceptionally strong interpersonal skills. In stark contrast to some of the other presidents in this study, this president quite simply likes people. Picking up on some groundwork by his predecessor, the president was able to re-establish Rieder's confidence in Ryke's administration and win major financial support from him again after Rieder's hiatus in giving. Participants characterize 1968-71 as a social and political crisis, 1971-74 as an enrollment and financial crisis, 1975-79 as spiritual restoration and reorganization for recovery, and 1979 to the present as the time when recovery efforts have begun to pay off. They give the current president strong personal credit for the recovery.

The academic dean during the 1960s was very active and successful in recruiting strong new faculty members, playing an important role in college leadership. During the late 1960s and early 1970s, the position lost centrality, changed title to dean, and was temporarily filled by a president. It has since been re-established as a vice-presidency and filled by a strong leader who had served previously on Ryke's faculty.

The financial vice-presidents from 1969-74 lacked authority, expertise, and the trustees' confidence. The current financial officer

was trained in economics and has served in his present role since 1974. He, too, is well-respected by faculty, administrators, and trustees and is given a great deal of personal credit for the improvements of recent years.

The admissions office orientation shifted from selection to recruitment within the past several years. The admissions officer since 1979 is highly skilled in interpreting Ryke's mission and generating enthusiasm among prospective students. Current college publications are rated very highly by other administrators, and applications from top students have been increasing.

Trustees. The board of trustees is composed primarily of metropolitan area people whose membership on the board lends confidence in the college. They are well-respected, well-connected, and relatively actively involved in college welfare. The current college president credits their efforts for successful fund-raising in recent years.

During the crisis years of the early 1970s the trustees did not trust the administration's fiscal responsibility. One administrator commented regarding that period that the trustees were "truly responsive to college needs"--they were willing to step into college management issues during the crisis, yet had the intelligence to step out when the administration changed for the better. During that difficult time, the trustees are said to have learned that they would have to face the music and, on occasion, make tough decisions.

Constituents. Residents of the city and state are important constituents of Ryke, especially Ryke's alumni. During the late 1960s and early 1970s they were put off by area press reports of student activities and by the priorities and activities of the 1968-71 president. When Rieder began contributing huge sums of money to the college to support its self-improvement efforts in the 1960s, the feeling was widespread that Ryke didn't need the support of the alumni and other potential donors. With the administration since 1975, however, these constituents have been "coming back in droves," thanks largely to the interpretive and interpersonal skills of the president and the efforts of trustees. The church with which Ryke is affiliated was not singled out by those interviewed as an important constituency.

Academic Programs

Ryke offers a "Simon pure" liberal arts curriculum. Early in the 1960s, it dropped nursing, medical technology, a major in physical education, and other programs not representative of the liberal arts. A proposal to re-establish nursing at Ryke was hotly debated in the mid-1970s, but was rejected by the faculty. One faculty member who had once supported the idea now says that in retrospect the decision seems to have been a wise one. A few accounting classes have been added to the economics department, but the college does not offer a major in accounting. Computer science is also growing, but as defined by the liberal arts orientation of the college as a whole. The faculty consider new curricular ideas often and implement some of them, but always within the context of a classical liberal arts orientation.

Planning

The office of institutional research was discontinued in 1975, but the planning and budgeting process incorporates considerable emphasis on data and information. A long-range planning effort in 1977-78 involved external consultants. The process was "an instrument of guidance, an opportunity to get the cold facts in front of us." The college "finally" has a five-year financial plan. The plan assumes no nominal growth in state aid or several major federal student aid programs, projecting decreasing college dependence on government funding.

Financial Situation

As shown in figure 3J, total revenues remained constant, losing ground in real terms, from 1973 to 1976. They then increased to keep pace with inflation, with the drop in 1979 followed by a $2 million increase in 1980 (table 1J). Since the number of students (FTE) was down 400 from 1973 to 1980, this represents a stable or improved situation on a per-student basis. Total expenditures exceeded total revenues in two years, 1974 and 1975, as shown in table 1J. Parenthetically, interpretation of Ryke's figures on income from endowment is not straightforward due to special provisions in the funding arrangements with Mr. Rieder.

Operating budget. As noted earlier, the major financial crisis at Ryke predates the data in the attached tables. In the early 1970s, Ryke had operating deficits totalling $5 million in two years. By the spring of 1971, a crisis was obvious, and by 1973-74 the feeling that "we won't make it" was abroad. One respondent stated that Ryke was "one step away from putting a chain on the door--only the financial clout of the chairman of our trustees kept the bankers away." Many operating costs were reduced and staff size was cut. Total expenditures stayed nearly constant for five years (1972-1976--table 5J). Past deficits have been funded, and no new ones incurred since 1975. Firm expenditure control is now fully established at Ryke. Tuition increases were kept low in the early 1970s. By 1982, tuition was at the mid-point of Ryke's regional college association, and plans are to increase tuition at about 2% over the Consumer Price Index.

State aid amounted to $390,000 in 1981. In 1982 Ryke received $350,000 in state aid plus $130,000 in capitation funds.

Development of the operating budget is now an open, participative process. A president's committee, composed of five faculty, two staff, and two students, submits to the president its report on the proposed budget. The process includes cyclical zero-base budget reviews.

Capital. Endowment value was just over $20 million in 1979, the first year of a five-year capital campaign. By 1982, endowment value was nearly $25 million, in addition to the $22.5 million received or pledged for the capital campaign. With two years remaining in the campaign, Ryke's goal leaves just $4 million to be raised. Physical plant indebtedness (table 7J) was a relatively low $3.3 million in 1980.

An important part of Ryke's capital asset is funding for merit scholarships to outstanding students, available largely through Rieder's support. This not only allows Ryke to attract top students, it also reduces Ryke's relative dependence on currently unpredictable sources of federal aid to students.

Perceived financial condition. The general attitude of respondents toward Ryke's financial condition was confident but realistic. They still feel strongly the need for fund-raising and fiscal controls and restraint, but they are experiencing better students, higher morale, and more applications for admission. They remember having had severe difficulties, and their confidence is enhanced from knowing that they not only survived but recovered from those difficulties.

Commentary on Ryke College

Causes of College Problems

One respondent stated that Ryke was "never a bad school . . . just a needy one with an image problem." Management was responsible to the extent that the 1968-71 president was a poor match for the institution. During his tenure, the college seriously overspent its resources and alienated important constituents. This caused some problems (operating deficits, loss of principal donor's support) and exacerbated others (loss of public and alumni support, low morale, student and potential student disaffection). In addition, the subsequent president was ineffective in creating remedies for either financial or organizational problems, but this was partially counteracted by trustee involvement. Ryke also suffered, probably more than it deserved, from press notoriety regarding student activism.

College Response to Decline

Early involvement by the trustees, together with their continuing and increasing success in fund-raising, has been an important part of Ryke's recovery. But the "catalyst that got all the reactants working together again" was the president named in 1975. He is known as an expert at understanding and achieving the art of the possible, and he is respected for his ability as an administrator and as a college representative to local business people, citizens, and alumni.

The faculty is credited with having shown strong responsibility and effective involvement in defining and sustaining the college throughout the past two decades. Major improvements in financial management and in admissions also played important roles. Overall, the college was able to effect a deliberate, slow return of its image to that of a small, fine liberal arts college.

The major exogenous advantage for Ryke may have been its location in a large, attractive city. The city offers numerous cultural and civic opportunities, and the college community takes part in them.

The college was characterized as having undergone tremendous adaptation and experimentation during 1965-75, and subsequently looking for coherence, sequence, and structure. The crisis of the early 1970s led members of the college to trim their sails, cut out frills, agree on purpose and priorities, and inject a strong note of realism in their deliberations.

The Lessons in Ryke's Experience

A college can succeed, even in today's vocational market, by being true to its historical liberal arts mission. Ryke was not always purely liberal arts, but that predominant orientation was sharply focused during the 1960s. That decade of plentiful students, a strong economy, and federal support was one that could well afford to support "Simon pure" liberal arts institutions. But with economic and attitudinal shifts in the 1970s, many such colleges have diluted or abandoned the liberal arts in a desperate search for students and dollars.

Despite the appearance that the college might have to close, Ryke reaffirmed its liberal arts focus. This may well be creditable to the nature of the representative committee of trustees, faculty, administration, parents, and alumni who made that decision. Subsequent events have supported the wisdom of that decision. There is a market for pure liberal arts, and Ryke is enjoying a significant share of it. It appears that Ryke's ability to attract and retain academically able students is a key factor. It is these students who are sophisticated enough to anticipate their interest in graduate and professional schooling and to understand the foundation provided by a liberal arts education for their long-term plans.

Too much change, too fast, harms a college. The events of the 1968-71 presidency illustrate this point dramatically. The vigorous attention to social issues and minority students, coupled with sudden administrative disinterest in academic matters and profligacy in financial matters, alienated virtually every college constituency--Rieder, other donors, regional residents, alumni, and potential students from Ryke's traditional markets. It is notable that the direction of change did have a foundation in Ryke's mission--Ryke has always expressed concern for social issues. It seems to have been the magnitude of this rapid shift toward one aspect of the mission and away from another that caused problems.

The welfare of a college can depend on the actions of one or very few individuals. For better or worse, a college depends on individual leaders. One president at Ryke was instrumental in taking it to the brink of disaster. A handful of committed trustees not only kept it afloat but mandated and effected critical short-term survival measures. The current president is the focus for almost all of the successful recovery efforts, either directly through his personal action or indirectly through the conceptual guidance and improved morale his leadership inspires.

An important component of this dynamic has been the nature of the president's communications about the college's mission and condition. While both the 1968-71 and the 1975-present presidents communicated their messages clearly, the former carried messages of such radical change that they were bound to confuse his audiences. The latter carried messages of constancy, renewal, and confidence that reassured and inspired his audiences. By contrast, the 1971-74 president seems not to have communicated at all beyond a tight inner circle, leaving a vacuum of understanding and failing to inspire confidence and coordinated effort. He did, however, take actions that served as important groundwork for later developments.

The extent to which internal constituents are actively engaged in institutional efforts is partly a function of administrative leadership, and it is central to recovery. Internal constituents do not depend

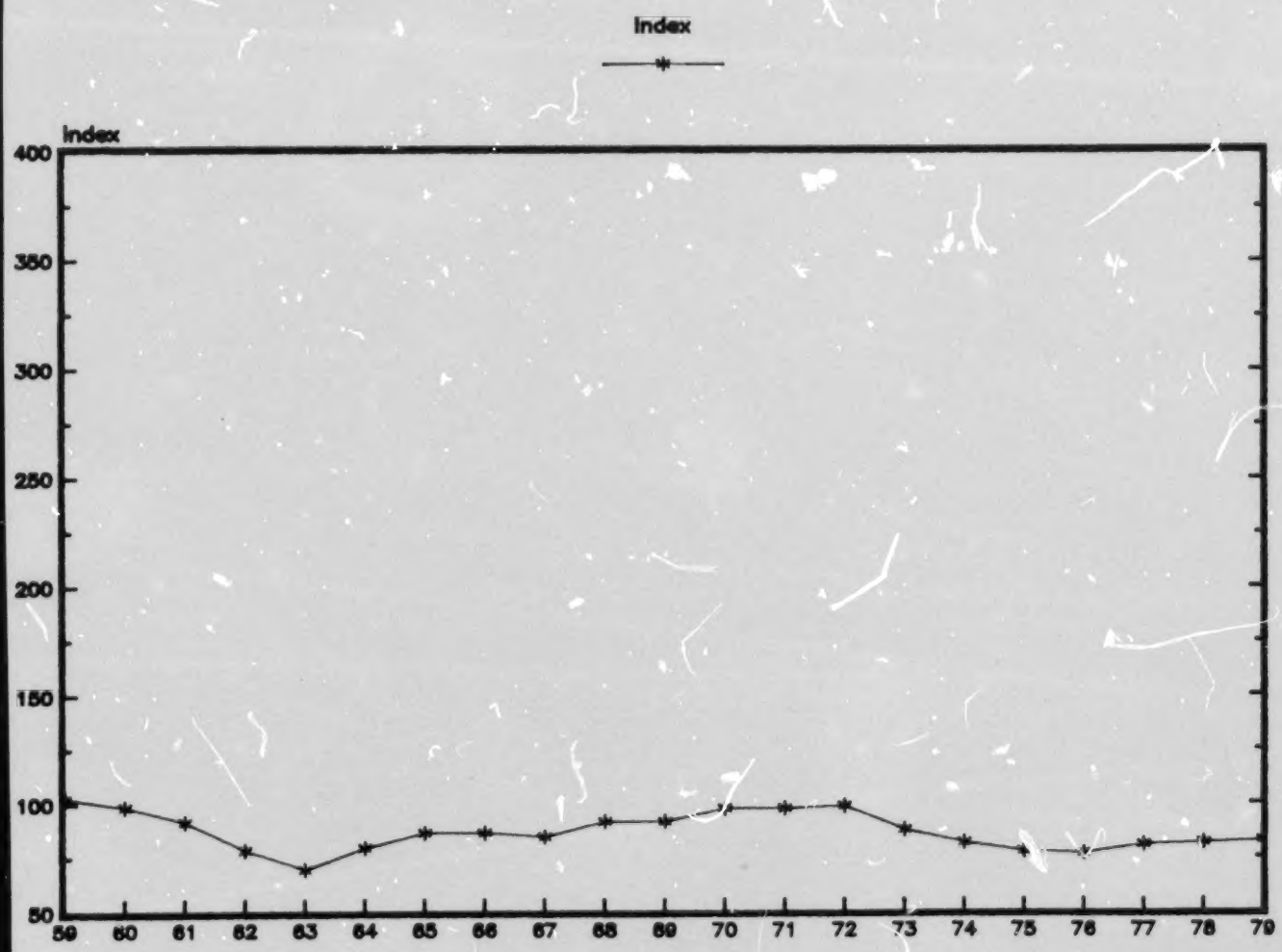
entirely on administrative leadership to inspire and motivate them to take action on behalf of the college, as shown by the continuing commitment of the faculty through the difficult early 1970s despite a vacuum of administrative leadership. At Ryke, their commitment may have been aided by the fact that many of them had come to the college only a few years before, and they were unwilling to jump ship so soon. Certainly their staying was not a function of a lack of alternative opportunities--these were among the most able scholars anywhere, who could find good positions even in a tight job market.

Not only did the faculty not leave, for the most part they did not stop trying to teach well, contribute to their disciplines, and improve the conditions at Ryke. This engagement on their part probably helped keep Ryke's reputation and enrollments from slipping so far that loss of confidence in the institution would have become irreparable.

Figure 1J

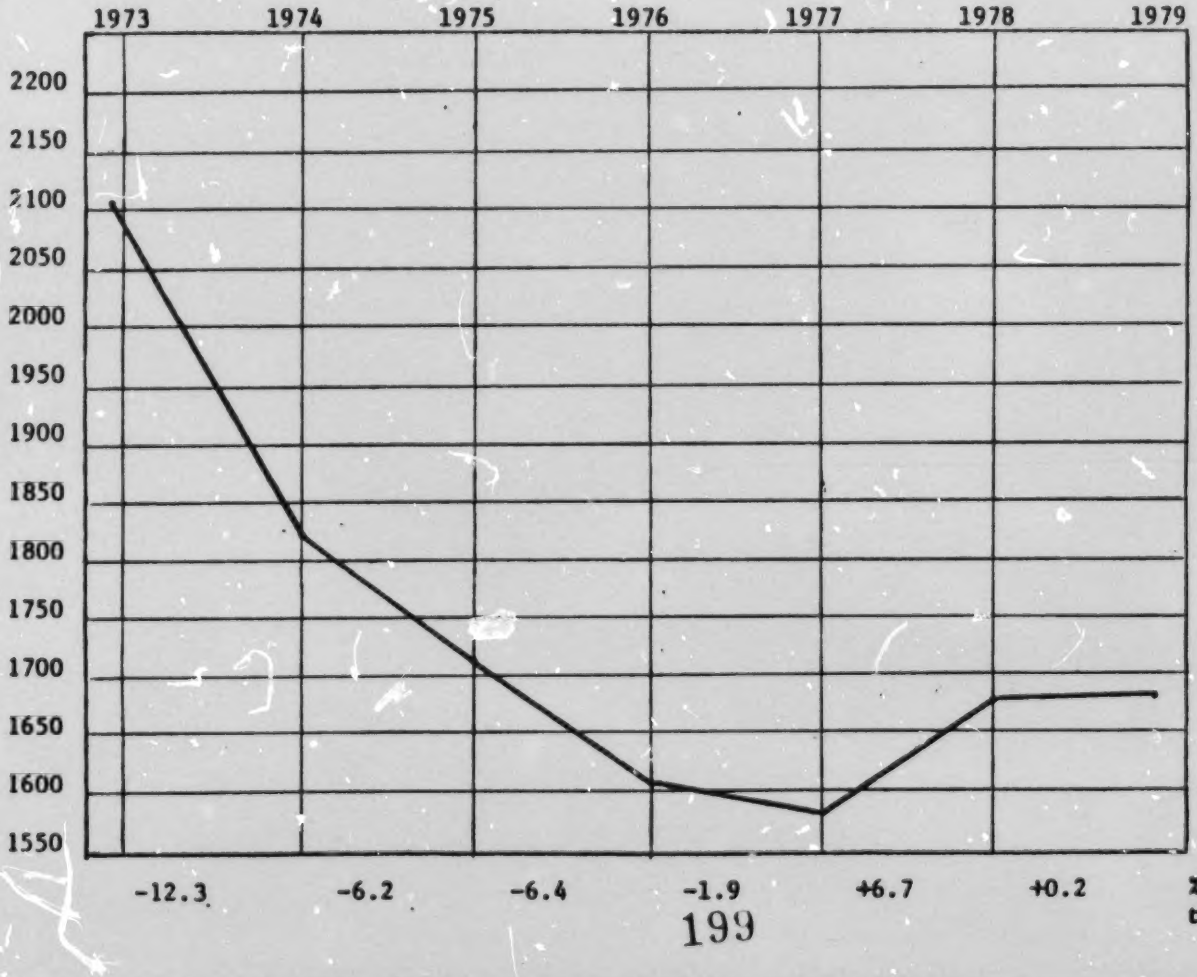
Indexed* Headcount Enrollments (1959–1979)

Ryke College



*Index based on average of first two years data

Figure 2J. Ryke College: Total Full-Time Equivalent Students by year 1973-1979



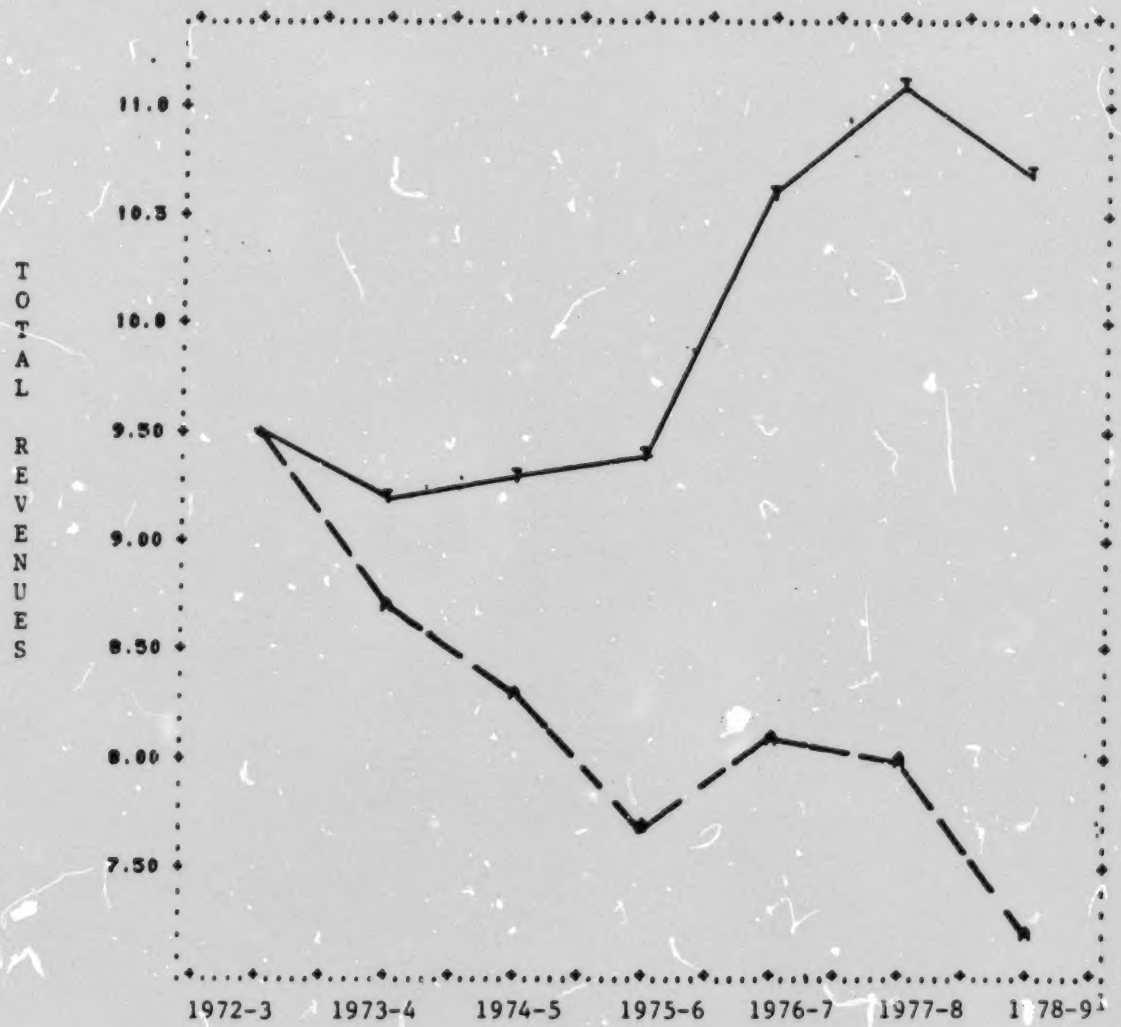


Figure 3J. Ryke College 1973-1979 Revenue Trends

T = total revenues

A = total revenues, adjusted for inflation (HEPI)

[1] The 1978-79 figure is not comparable to those of other years. A change in fiscal year made 1978-79 only nine months long.

Table 1J. Ryke College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants & Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	4,825,893	0	1,054,449	1,385,195	0	2,166,165	9,431,702
73	4,582,453	0	80,500	1,584,624	821,746	2,420,510	9,489,834
74	4,491,830	9,922	110,179	1,181,975	910,535	2,483,305	9,187,746
75	4,539,317	0	741,609	1,946,141	871,140	1,240,051	9,338,258
76	4,794,718	0	696,861	305,021	2,038,876	1,610,926	9,446,402
77	5,486,350	0	784,778	1,057,344	1,664,275	1,584,566	10,577,314
78	6,171,525	119,512	757,799	900,902	1,219,699	1,953,378	11,122,816
79	6,496,005	121,455	611,591	665,247	999,920	1,810,420	10,704,638
80	7,103,041	145,656	1,066,139	835,764	1,433,120	2,305,886	12,889,606

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	2,823,367	871,517	0	654,160	2,045,621	NA	NA	NA	1,535,344	6,663,257	9,428,268
73	2,583,550	60,926	0	657,158	2,436,606	NA	NA	NA	1,519,877	6,944,985	9,489,834
74	2,579,670	73,322	0	716,204	2,349,819	NA	NA	NA	1,233,618	6,833,061	9,213,632
75	2,782,760	168,355	709,118	750,835	2,113,987	1,158,625	299,476	641,851	NA	8,625,008	9,933,748
76	2,973,638	106,189	152,499	788,991	1,578,791	1,128,742	346,020	986,795	NA	8,062,937	9,446,402
77	3,250,967	129,324	216,116	931,098	1,328,665	1,319,351	401,452	1,060,055	NA	8,639,010	10,040,618
78	3,252,964	141,918	263,556	978,028	1,455,239	1,604,600	507,201	1,361,777	NA	9,567,576	11,097,816
79	3,450,472	10,264	114,494	786,132	1,255,711	1,344,045	494,556	1,368,376	NA	8,825,894	10,341,846
80	3,940,978	180,537	171,640	1,162,159	1,919,294	1,222,311	605,104	1,846,018	NA	11,096,396	12,852,204

Table 2J. Ryke College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	51.2	0.0	11.2	14.7	0.0	23.0
73	48.3	0.0	.8	16.7	8.7	25.5
74	48.9	.1	1.2	12.9	9.9	27.0
75	48.6	0.0	7.9	20.8	9.3	13.3
76	50.8	0.0	7.4	3.2	21.6	17.1
77	51.9	0.0	7.4	16.0	15.7	15.0
78	55.5	1.1	6.8	8.1	11.0	17.6
79	60.7	1.1	5.7	6.2	9.3	16.9
80	55.1	1.1	8.3	6.5	11.1	17.9
$*\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

631

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	29.9	9.2	0.0	6.9	21.7	NA	NA	NA	16.3	70.7
73	27.2	.6	0.0	6.9	25.7	NA	NA	NA	16.0	73.2
74	28.0	.8	0.0	7.8	25.5	NA	NA	NA	13.4	74.2
75	28.0	1.7	7.1	7.6	21.3	11.7	3.0	6.5	NA	86.8
76	31.5	1.1	1.6	8.4	16.7	11.9	3.7	10.4	NA	85.4
77	32.4	1.3	2.2	9.3	13.2	13.1	4.0	10.6	NA	86.0
78	29.3	1.3	2.4	8.8	13.1	14.5	4.6	12.3	NA	86.2
79	33.4	.1	1.1	7.6	12.1	13.0	4.8	13.2	NA	85.3
80	30.7	.4	1.3	9.0	14.9	9.5	4.7	14.4	NA	86.3
$*\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

$*\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3J. Ryke College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$2,193.61	$1,236.74	NA	NA	2,089
74	$2,450.53	$1,407.35	NA	NA	1,833
75	$2,640.67	$1,618.82	$674.01	$ 373.39	1,719
76	$2,979.94	$1,848.13	$701.52	$ 612.92	1,609
77	$3,476.77	$2,060.18	$836.09	$ 671.77	1,578
78	$3,666.98	$1,932.84	$953.42	$ 809.14	1,683
79	$3,852.91	$2,046.54	$797.18	$ 811.61	1,686
80	$4,233.04	$2,348.62	$728.43	$1,100.13	1,678

Table 4J. Ryke College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue		Gifts Revenue		Endowment Revenue		Total Revenue		Total TOTFTE	
1971-72	$4,825,893		$0		$1,385,195		$9,431,702			
	100.0		100.0		100.0		100.0			
1972-73	$4,582,453		$821,746		$1,584,625		$9,489,834		2,089	
	95.0	-5.0%	.0	.0%	114.4	14.4%	100.6	.6%	100.0	
1973-74	$4,491,830		$910,535		$1,181,975		$9,187,746		1,833	
	93.1	-2.0%	.0	10.8%	85.3	-25.4%	97.4	-3.2%	87.7	-12.3%
1974-75	$4,539,317		$871,140		$1,946,141		$9,338,258		1,719	
	94.1	1.1%	.0	-4.3%	140.5	64.7%	99.0	1.6%	82.3	-6.2%
1975-76	$4,794,718		$2,038,876		$305,021		$9,446,402		1,609	
	99.4	5.6%	.0	134.0%	22.0	-84.3%	100.2	1.2%	77.0	-6.4%
1976-77	$5,486,350		$1,664,275		$1,057,344		$10,577,314		1,578	
	113.7	14.4%	.0	-18.4%	76.3	246.6%	112.1	12.0%	75.5	-1.9%
1977-78	$6,171,525		$1,219,699		$900,902		$11,122,816		1,683	
	127.9	12.5%	.0	-26.7%	65.0	-14.8%	117.9	5.2%	80.6	6.7%
1978-79	$6,496,005		$999,920		$665,247		$10,704,638		1,686	
	134.6	5.3%	.0	-18.0%	48.0	-26.2%	113.5	-3.8%	80.7	.2%
1979-80	$7,103,041		$1,433,120		$835,764		$12,889,606		1,678	
	147.2	9.3%	.0	43.3%	60.3	25.6%	136.7	20.4%	80.3	-.5%

Table 5J. Ryke College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships & Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$6,663,257		$9,428,268	
	100.0		100.0		100.0	
1972-73	$0		$6,944,985		$9,489,834	
	.0	.0%	104.2	4.2%	100.7	.7%
1973-74	$0		$6,833,061		$9,213,632	
	.0	.0%	102.5	-1.6%	97.7	-2.9%
1974-75	$1,158,625		$8,625,008		$9,933,748	
	.0	.0%	129.4	26.2%	105.4	7.8%
1975-76	$1,128,742		$8,062,937		$9,446,402	
	.0	-2.6%	121.0	-6.5%	100.2	-4.9%
1976-77	$1,319,351		$8,639,010		$10,040,618	
	.0	16.9%	129.7	7.1%	106.5	6.3%
1977-78	$1,604,600		$9,567,576		$11,097,816	
	.0	21.6%	143.6	10.7%	117.7	10.5%
1978-79	$1,344,045		$8,825,894		$10,341,846	
	.0	-16.2%	132.5	-7.8%	109.7	-6.8%
1979-80	$1,222,311		$11,096,396		$12,052,204	
	.0	-9.1%	166.5	25.7%	136.3	24.3%

Table 6J. Pyke College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr	Market Value Beg of Yr	Book Value End of Yr	Market Value End of Yr	Yield
1971-72	$29,091,116	$31,522,763	$30,864,226	$35,123,161	$1,655,942
	100.0	100.0	100.0	100.0	100.0
1972-73	$30,864,226	$35,123,161	$28,223,663	$30,580,654	$1,930,116
	106.1 6.1%	111.4 11.4%	91.4 -8.6%	87.1 -12.9%	116.6 16.6%
1973-74	$28,223,663	$0	$23,049,610	$0	$1,473,926
	97.1 -8.6%	.0 -100.0%	74.7 -18.3%	.0 -100.0%	89.0 -23.6%
1974-75	$26,617,969	$24,306,821	$19,046,519	$18,352,057	$1,946,141
	91.5 -5.7%	77.1 .0%	61.7 -17.4%	52.3 .0%	117.5 32.0%
1975-76	$16,973,016	$16,973,016	$17,301,772	$18,909,042	$1,062,488
	58.4 -36.2%	53.8 -30.2%	56.1 -9.2%	53.8 3.0%	64.2 -45.4%
1976-77	$17,301,772	$18,909,042	$18,477,980	$19,392,195	$1,128,548
	59.5 1.9%	60.0 11.4%	59.9 6.8%	55.2 [illegible]6%	68.2 6.2%
1977-78	$18,477,980	$19,392,195	$19,980,996	$21,635,484	$1,466,897
	63.5 6.8%	61.5 2.6%	64.7 8.1%	61.6 11.6%	88.6 30.0%
1978-79	$19,980,996	$21,635,484	$20,253,566	$20,938,232	$1,083,873
	68.7 8.1%	68.6 11.6%	65.6 1.4%	59.6 -3.2%	65.5 -26.1%
1979-80	$20,253,566	$20,938,232	$20,999,334	$21,410,830	$1,685,517
	69.6 1.4%	66.4 -3.2%	68.0 3.7%	61.0 2.3%	101.8 55.5%

Table 7J. Ryke College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr		Additional Borrowed		Payments Mad		Balance Owed End of Yr		Interest Payments	
1971-72	$6,664,862		$304,892		$67,000					
	100.0		100.0		100.0					
1972-73	$6,902,754		$227,273		$68,584					
	103.6	3.6%	74.5	-25.5%	102.4	2.4%				
1973-74	$7,061,443		$0		$2,648,384					
	106.0	2.3%	.0	-100.0%	#####	3761.5%				
1974-75	$4,413,059		$0		$1,504,908		$2,908,151		$96,373	
	66.2	-37.5%	.0	.0%	#####	-43.2%	100.0		100.0	
1975-76	$2,908,151		$0		$70,872		$2,837,279		$94,176	
	43.6	-34.1%	.0	.0%	105.8	-95.3%	97.6	-2.4%	97.7	-2.3%
1976-77	$2,837,279		$0		$80,983		$2,756,296		$91,965	
	42.6	-2.4%	.0	.0%	120.9	14.3%	94.8	-2.9%	95.4	-2.3%
1977-78	$2,756,296		$0		$82,099		$2,674,197		$89,598	
	41.4	-2.9%	.0	.0%	122.5	1.4%	92.0	-3.0%	93.0	-2.6%
1978-79	$2,674,197		$0		$81,844		$2,592,353		$86,896	
	40.1	-3.0%	.0	.0%	122.2	-.3%	89.1	-3.1%	90.2	-3.0%
1979-80	$2,592,353		$751,965		$81,353		$3,262,965		$84,241	
	38.9	-3.1%	246.6	.0%	121.4	-.6%	112.2	25.9%	87.4	-3.1%

NICHE COLLEGE

PROFILE

Location:	Urban, Northeast
Type:	1973: Liberal Arts II 1976: Comprehensive II Independent
1980 enrollment:	1542 FTE
Date founded:	1933, proprietary business school 1960, non-profit junior college 1966, four-year college, accredited 1968
1981 cost:	$5955 (tuition, room, and board)

The Story of Niche College

Niche is located in the heart of the downtown section of a major city. Far from having a green campus, it is part of the concrete canyons in a section that is undergoing major renovation and reconstruction. This setting has implications for Niche's academic programs and priorities.

Niche was founded by an enterprising woman during the depression as a business training school. Over the years, the founding president modified the programs as new needs and opportunities presented themselves. She was among the earliest to recognize the potential demand for junior college programs and their absence in this region of the state, which was what prompted her reorganization and expansion of the college in 1960 as a non-profit junior college. This shift was extended as Niche expanded to a four-year college in 1966, and a relative of the founding president took the reins in 1967 with the full concurrence of the college community.

Branches. Virtually all instruction takes place in Niche's downtown location. A few classes are taught at the Pittsburgh Playhouse, and Niche occasionally teaches courses in other locations, primarily in space made available by interested firms.

Competition. Niche serves two major kinds of clients--those who live or work downtown, and international students--as well as traditional age resident and commuter students. The city hosts many other higher education institutions, but Niche is the only small, liberal arts, four-year, nondenominational, coeducational college in town. Cross-registration arrangements exist with nine other area institutions. The competitor of which Niche officials seem to be most aware is a former proprietary, now non-profit business college. Niche differentiates itself from that school through its emphasis on liberal arts as well as performing arts, journalism, and technology. Niche also prides itself on its early and effective recognition of new academic program needs, as discussed below.

Enrollments and Students

Niche grew from a head-count population of 846 students in 1961 to nearly 3500 in 1968, almost 1000 of whom were part-time students. Despite the addition of upper division courses at that time, enrollments began to decline in 1969, reaching 1881 full-time equivalent (FTE) students in 1973. That was the year when Niche nearly closed its doors for financial reasons. Due to loss of confidence in the institution, about one-half of the students who were expected to return in the fall of 1973 did not appear. By 1975, FTE enrollment was down to 1191. It grew to 1511 FTE by 1980.

Students. Niche's enrollment recovery has been due primarily to increases in part-time and international enrollments, which offset losses in full-time and native students. Part-time adult enrollment has increased 300% in the past six years. Evening and Saturday classes have encouraged this. International students numbered over 420 in 1982, coming from 40 countries. Niche has begun to recruit internationally; it has established a strong English as a Second Language program; and it is said to have "a better reputation internationally than locally."

Niche has always had relatively open admissions, but attrition was becoming a problem. In 1975 admissions standards were applied and some students have been rejected--but the college continues to admit a high proportion of its applicants. Niche provides academic support services for underprepared students.

Student life. Niche supports especially active programs in the performing arts, journalism/communications, business, and technology. With this emphasis on applied programs, and in the context of the advantages offered by the urban setting, students are involved in producing performances and in various kinds of internships and work experience. Niche officials believe strongly in the importance of student welfare--indeed, the president's organizational chart consists of concentric circles with students at the core, and the college's relative investment in student services is on the high side. Three of six areas in which Niche first sought Title III funds (1974) were admissions, career counseling, and non-academic student life. One strong program is an early childhood/day care center for students, faculty, and others.

Faculty, Administrators, and Others

Despite some factors that might induce high turnover--the urban setting, other nearby colleges, past financial difficulties--Niche's administrators and full-time faculty tend to stay at the college. Although the people may remain, there appears to be a good deal of reorganization and reassignment of roles among administrators.

Faculty. Niche employs 75 full time faculty members, 40% with doctorates in 1977, and many part time. The part time faculty often teach full time elsewhere or practice in the areas they teach, and quality is not believed to be a problem. During the crisis of the early 1970s, 15-20% of the faculty had to be let go, including some who had tenure. Although it appears to have been extremely hard on the individuals who were part of those decisions, these layoffs do not seem to have had a divisive or long-term effect on the faculty as a whole or on faculty-administration relationships. The faculty are said to be

committed to working together for the students and the college. As part of post-crisis measures, smaller departments have been reorganized into eight larger divisions.

Administrators. Despite many small and large changes in the school from 1933 through 1968, Niche grew and flourished, revolving around the strong central figure of the founding president. Her relative, who had spent five years as secretary of the college and two as vice president, became president the year after the school changed from a junior college to a four-year college. He was described as a visionary, an entrepreneur with grand ideas and vast energy, but without strong consensus about a plan. He made decisions without setting a tone for free discussions, and without listening to the voices of realism and fiscal restraint in his administration.

Perhaps in an effort to forge quickly a clear identity for the baccalaureate college, as well as out of personal interest and academic conviction, this president took actions designed to make Niche the major patron of the arts in the city. He bought a struggling but historic playhouse, founded a ballet company on the campus, and for the city supported a wind symphony, bought an estate in the country, and leased a campus in Switzerland. These ventures involved not only capital debt, but operating losses as well. The president was persuasive in lining up loans for these worthy causes, but did not ensure long-term support for repaying loans or funding operating deficits. His relationship with the trustees was perfunctory. One respondent commented that the trustees probably assumed that no news was good news, when in fact the president was likely to be least communicative with them when the news was bad.

In 1972, the president became concerned about declining enrollment. He decided to advertise, an innovative move for that time. He spent $64,000 to produce a four-page, full-color supplement to major metropolitan newspapers in the region, reaching a distribution of 2.5 million readers. The ad reportedly resulted in over 500 inquiries about the college, but only one paid deposit for an admitted student.

In the spring of 1973 the house of cards collapsed. The city announced its plan to sell the campus for back taxes of over $1 million. Niche had disputed its tax obligation but the city, trying to improve its bond rating, wanted either to be paid or to have the dispute finally settled. Press coverage of the issue was unsympathetic to Niche, although the matter was [illegible]led in favor of the college in 1976. Also in the spring of 1973, [illegible]anks refused to extend any further credit, the college suddenly announced that it could not meet the payroll, and the faculty collectively petitioned the trustees to fire the president. In a single meeting, the trustees accepted the resignation of the president, announced plans to begin closing the college, and asked the academic dean, who had been on the faculty since 1966, to serve as acting president. The dean, a philosopher with very little administrative experience at the higher levels, accepted and began preparing a survival plan. Within a few weeks, the trustees suspended their plan to close the college.

The faculty rallied behind the well-regarded new president. All employees voluntarily complied with his plan to pay summer employees a maximum of $90 per week over that summer. The college began a continuing search for ways to cut costs in all areas. Lending agencies, more interested in eventual repayment than in foreclosure and eventually convinced of the ability and commitment of the new president and the trustees, cooperated in making moratoria and new payment schedules.

The "acting" designation was dropped from the president's title in 1974, and he continues to serve as Niche's president. Most people there give the president great personal credit for the college's greatly improved circumstances. They describe him as an educator, a planner, and one who sincerely cares about people. He is dedicated to the college, and he listens, seeks advice, and gives constructive feedback. He has defined Niche's mission as a "both-and" college--both liberal arts and career preparation. He has become effective at interpreting that mission and generating support with area businesses and foundations as well as potential students. He believed that the college had to know its environment and to show how it fit there and what it contributed, sensitive to the public conviction that there was no need for Niche in the city.

The president believes that organizational structure is important, and he shifts it as needs and priorities change. In 1976 he named a vice president for enrollment planning, signifying the importance of recruiting and admissions at that point in college history. Even in the midst of severe cost-cutting, he invested in admissions and student affairs, believing that they were essential to survival. He has made it clear that personnel layoffs would be made only as a last resort, relying on attrition and reorganization to reduce the payroll while still staffing all essential functions.

Unlike other colleges in this study, Niche has not had key long-term leadership in the heads of such functions as admissions, financial affairs, and development. Development became an autonomous function and the college has been shifting its attention from grants to potential donors. Development and other areas are staffed well, but the local long-term figure has been the president. A fine academic dean, also a long-time member of the Niche faculty, handles internal academic matters ably.

Trustees. The crisis of 1973 seems to have galvanized the trustees into involvement with the college. They pledged over $100,000 themselves to help see the college through the crisis, and they have helped in various ways ever since. Their quality and commitment were instrumental in keeping creditors patient, and they have assisted the college in contacting area businesses and foundations for support. They are kept informed by the president's thorough briefing reports before every board meeting.

Constituents. The constituent group in which Niche has probably invested most energy in recent years is potential students. The college has also developed relationships with area businesses and foundations. The alumni of the college as it is presently configured are still very young and mobile; Niche is beginning to try to track them and maintain their interest in the college.

Local credibility was at rock bottom eight years ago, and Niche officials have made important inroads in rebuilding it. Their fiscal responsibility and creative programs seem to have impressed constituents favorably.

Academic Programs

Niche's eight departments are behavioral sciences; business administration, accounting, and computer science; education; English;

fine, applied, and performing arts; journalism and communication; natural sciences and technology; and social sciences. Of these, the departments that enroll the greatest number of students are business, performing arts, journalism/communications, and technology. The college has dropped majors in nursing, design, economics, and German, but it has added several forms of engineering technology, public administration, photography/multi-media, and visual arts and design. The last two are offered in conjunction with the city art institute. In 1977 Niche began a Bachelors of Fine Arts degree in dance and theatre arts, in 1981 a masters degree in journalism, and projects in 1983 a masters degree in international business. The intention of the college is that all new offerings would be outgrowths of existing programs, requiring minimal new courses, and that new programs enhance the ways in which Niche is distinctive in terms of other area colleges.

Niche officials are proud of the college's early entry into a number of successful areas. They cite the Saturday college and lunch hour courses as innovative delivery systems, and such programs as early childhood education, the technologies, and the most recent possibility, robotics technology. Niche was the first U.S. college to offer a B.S. in computer science. The extent to which students gain hands-on experience in the arts is also unusual.

The college has transfer arrangements with 25-30 area institutions, including proprietary schools. It was actively involved in CETA training for a time, but allowed that program to lapse when it created a number of problems regarding integrating the very different programs and clients with the core functions of the college.

The college also serves the community with non-credit courses in such areas as theatre, dance, export seminars, and computer workshops.

Planning

The current administration believes in plans as living documents that are used to guide decisions and are frequently reformulated. Through constant review and discussion of the meaning of the mission and possible future trends, the institution resists rigidity and complacency. Periodic long-range planning, often occurring before the term of the current plan is up, is thought to foster creativity and consensus, to encourage everyone involved to anticipate the future and prepare for it. The presence of board members on the planning committee has served as a catalyst to get things done.

Financial Situation

By 1973, Niche had accumulated $900,000 in short-term debt to cover operating deficits. It has been repaying those notes since 1976. According to HEGIS data, table 1K, Niche had total revenues less than total expenditures in four of the years shown--1975, 1976, 1977, and 1980. However, college officials informed us that financial reports to HEGIS for 1974 through 1978 contained errors in calculating total revenues and that the actual total revenues for those years were $4.7 million, $4.5 million, $5.2 million, $5.4 million, and $6.7 million, respectively. Using those figures, total expenditures exceeded total revenues in four years: 1975,

1976, 1977, and 1980, totalling $459,194. Some of the difference was due to writing off bad debt owed the college by one of the performing arts groups, and some was due to the college paying on its own previous indebtedness net surplus, 1974-1981, is $302,717. The college is heavily dependent on tuition and auxiliary operations, and relatively lacking in income from endowment and gifts, as shown in table 2K.

Operating budget. The college has reduced its expenditures primarily through efficiency measures in operations and through attrition and reorganization of personnel following a personnel layoff in the early 1970s that amounted to over 30% of the employees. Costs for operating and maintaining the physical plant have been held approximately constant over the past decade and institutional support costs were reduced by $.25 million from the 1972 level. The latter, expressed as a proportion of total expenditures (table 2K), is well below the average for a sample of forty similar colleges.

Capital. Niche sold properties in the mid-1970s, including the country estate, and some downtown parking lots. It also discontinued its lease of the Swiss Campus. Its endowment value has remained at about $650,000 throughout the past decade. The most recent borrowing for physical plant was in early 1973, and current capital debt is over $13 million (table 7K). Payments on principal and interest were $249,000 to $470,000 in 1976 through 1978, going up to $686,000 and $918,000 in 1979 and 1980. Niche officials reached agreements with lenders in 1975 and again in 1981 to extend the repayment period in order to bring payments to a fixed level the college could accommodate. A capital campaign of $2.5 million was in progress in 1982 for performing arts facility renovation, but currently most other fund-raising has typically supported current costs.

Perceived financial condition. Respondents generally believed that the college had achieved a stable financial condition. Several believed that, having survived the crisis of a decade ago, the college and its personnel are better equipped to deal with any continuing or future problems.

Commentary on Niche College

Causes of College Problems

The primary cause of Niche's crisis seems to have been a dramatic overextension of capital and operating expenses, resulting from too much change, too quickly made, and with too little regard for financing. The timing of the city's move to collect back taxes aggravated the situation, and student attrition due to loss of confidence in the future of the college made it still worse. But essentially the crisis was precipitated by the management style and priorities of the president at that time.

College Response to Decline

The immediate responses were to change presidents, cut costs drastically, take action to resolve the tax dispute, and negotiate with creditors. These measures, together with the president's explanations to

employees and students regarding what he would and would not do in his efforts to restore the college, got the institution through the first two or three years of his presidency.

The continuing search for cost reduction measures has been important both to keep the budget healthy and to inspire confidence in external constituents. One respondent commented on the paradox that "the less we spend, the more our creditors and potential donors seem willing to help us out."

Major efforts are invested in mission definition, both conceptually and operationally. The president has developed the language he needed to show that the college had a unique and important role to play in the city. The college focuses its programming on that role, minimizing costs by trimming and reorganizing programs, cooperating with other institutions in the city, and dropping programs that prove to be unviable. It has also developed delivery and support systems specific to the needs of its clientele.

An apparent anomaly cropped up during the interviews. A couple of people commented that (a) they felt the institution was better equipped to deal with future problems as a result of their experience in the past decade, and (b) although the institution's previous problem was due to inadequate management, future problems were likely to derive from economics and demographics, and were therefore likely to be quite different in their implications for appropriate response. These remarks can be reconciled if the respondents intended in their first remark to refer to certain attitudinal factors, rather than behavioral ones. The attitudes of those working to save the institution from threat, for example, might be more confident of success, more dedicated to their task. Constituent attitudes might be less skeptical, more convinced that the institution could, would, and should survive. In addition, many of the measures taken at Niche in the past could be expected to assist with recovery from disaster no matter what the cause, respondent comments notwithstanding. A change of presidents might be needed if economic and demographic factors cause new troubles, but more to bring new skills to the post than to correct serious inadequacies. Cutting costs, negotiating with creditors, setting and announcing priorities, tightening and perhaps shifting the mission and programs could all help combat negative economic and demographic forces. So respondents may have learned more transferrable skills than they realize.

The Lessons in Niche's Experience

The credentials that are likely to impress a presidential search committee are not necessarily those that make an effective president. Management expertise and experience may not be critical to effectiveness. It is hard to imagine a less likely president for a college whose death knell has sounded than the current president. He had a doctorate in philosophy, three years as an assistant professor at another institution, and seven years on the Niche faculty, two of them as a department chairman. He had been active in the AAUP and on faculty committees, and had spent nine months as academic dean. According to his vita, he had had virtually no experience in administration, and certainly none in financial management, fund-raising, community relations, and personnel supervision. On the surface, what he appeared to offer the college was that he was

well-liked and respected by the faculty, and well-enough known to the college so that at least some of those affected probably knew of the personal characteristics he would bring with him to the job. In short, it is hard to imagine any conscientious search committee proposing him for the presidency on the basis of his track record.

Others associated with the college attribute the president's success in the position to several of his characteristics. He believes in lifelong learning and he has learned a great deal on the job. He is, at heart, an educator, whose feel for academic institutions--what they are about and how they need to be organized—is instinctively part of his orientation as well as being a product of his study and reflection in philosophy. He believes in the importance of Niche College and demonstrates his sincerity and dedication both in what he says and how much energy he devotes to its welfare. His communication skills, including listening, are strong. He uses what he hears and reads, as well as his understanding of academia, in a kind of strategic planning that is more formalized than what we saw at Harmony College but just as organic. His view of the priority system he uses is (1) persons, (2) plans, (3) systems, and (4) execution.

Although Niche has continued to change under his leadership, it has changed less dramatically than it did under the previous administration and in financially more responsible ways. To the extent that change may be disruptive to a college, that effect may be minimized by the presence of this highly respected president as the stable center of change.

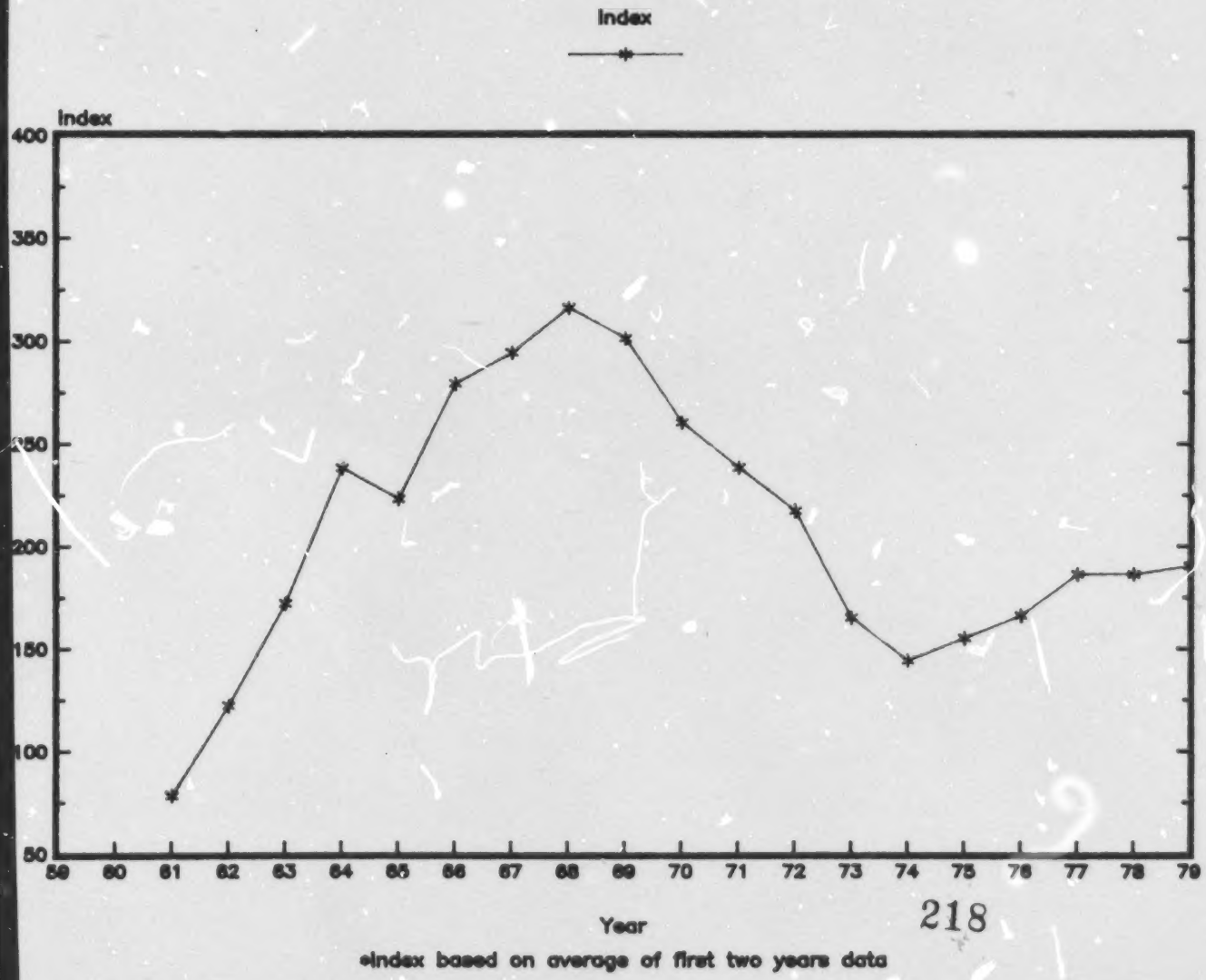
Vision and entrepreneurship can bring a college to the brink of ruin when untempered with financial wisdom. The events of the 1967-73 administration clearly demonstrate the point. That president was commended for his aims and the enthusiasm he generated for them, yet he precipitated a decision to close the college for financial reasons.

Nonetheless, the need for vision and entrepreneurship is clear. The 1967-73 president may have met a real need of the college in allying its image with the performing arts specifically and liberal arts generally. The college probably needed to show dramatic evidence of its greatly changed mission and of its capacity to serve the city's needs. Furthermore, the current president continues to invest energy and time in clarifying the mission and seeking new ways to serve. Niche might well be in trouble if it had not had presidents who focused on differentiating it from the many other schools in town while demonstrating its ability to meet real community needs.

Figure 1K

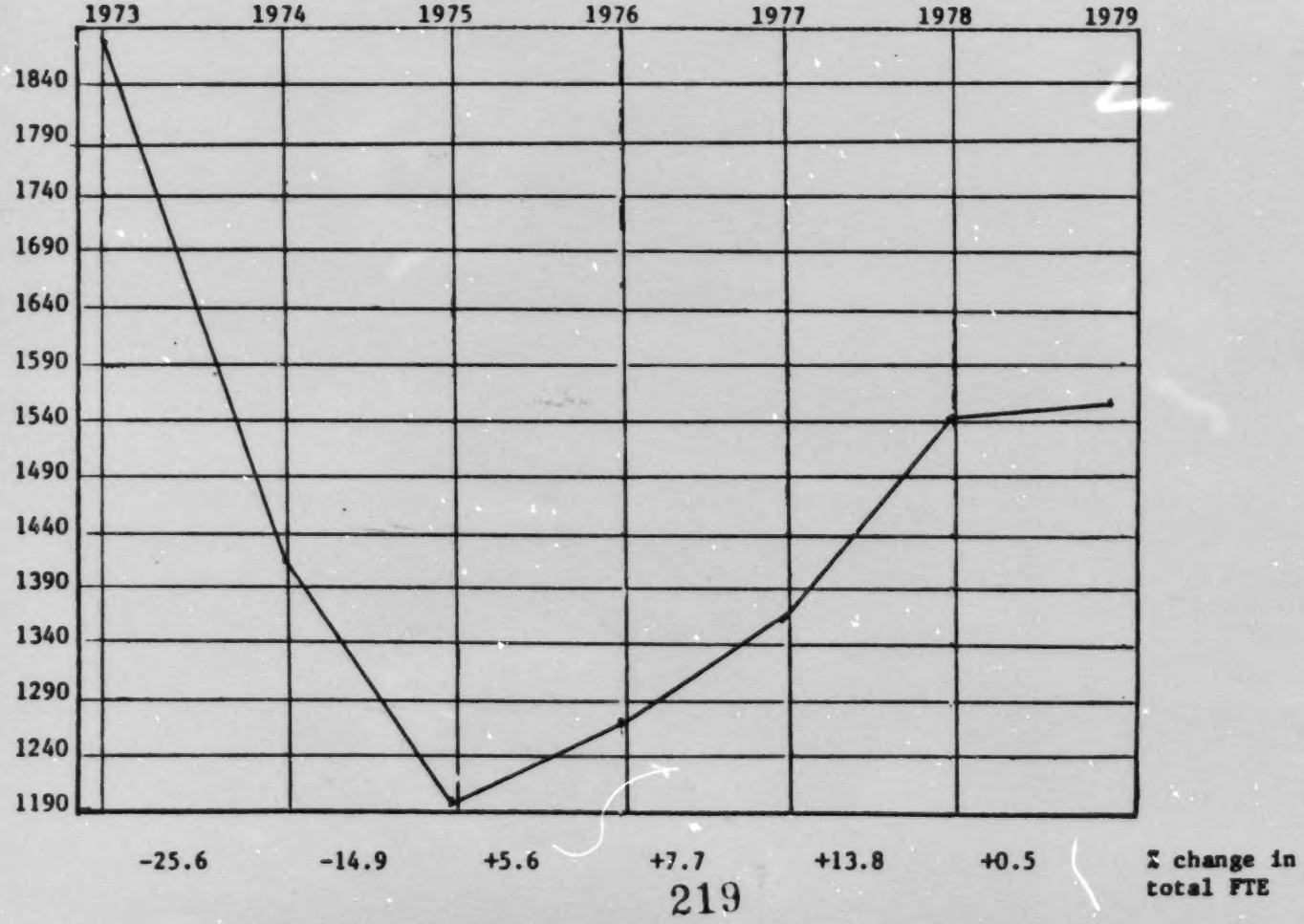
Indexed* Headcount Enrollments (1959–1979)

Niche College



*Index based on average of first two years data

Figure 2K. Niche College: Total Full-Time Equivalent Student by year 1973-1979



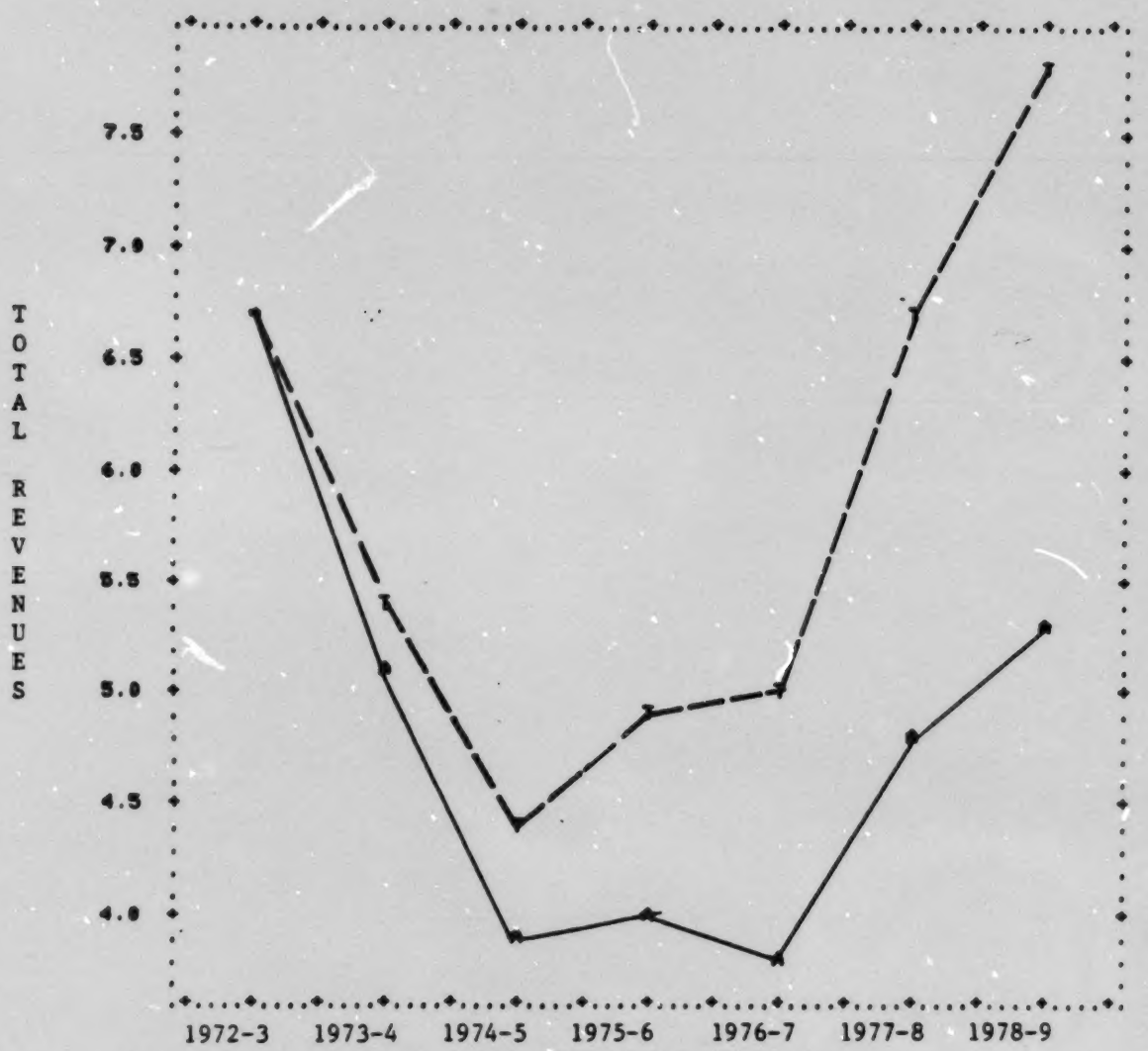


Figure 3K. Niche College 1973-1979 Revenue Trends

T = total revenues

A = total revenues, adjusted for inflation (HEPI)

Table 1K. Niche College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants & Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	3,934,016	17,347	11,980	4,622	360,020	1,667,221	5,995,206
73	4,459,914	55,437	0	0	274,289	1,899,297	6,688,937
74	3,372,021	21,843	0	0	384,330	1,628,865	5,407,059
75	3,103,326	170,400	110,614	0	121,920	867,923	4,374,183
76	3,517,528	0	394,161	0	154,328	836,727	4,902,744
77	3,798,273	0	313,452	0	74,316	819,773	5,005,814
78	4,774,547	0	342,130	0	209,084	1,382,495	6,708,256
79	5,490,156	0	501,775	16,363	227,844	1,566,800	7,802,938
80	5,984,618	0	510,628	22,750	173,257	1,642,985	8,334,238

CORRECTIONS FROM NICHE RECORDS

Year	Total Revenue	Total Expenditure
74	4,727,159	4,553,548
75	4,470,573	4,757,481
76	5,189,351	5,239,752
77	5,413,221	5,448,012
78	6,708,257	6,511,027
79	7,802,938	7,461,868
80	8,334,238	8,421,332
81	10,094,182	10,044,182

206

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	1,913,006	11,980	709,845	692,015	1,097,416	NA	NA	NA	493,762	4,549,907	5,921,510
73	2,216,799	0	104,700	615,113	1,768,091	NA	NA	NA	698,136	5,138,711	6,379,908
74	1,697,903	0	0	601,428	1,719,311	NA	NA	NA	639,280	4,188,456	5,230,564
75	1,360,089	0	121,779	598,849	989,099	424,685	191,305	313,619	NA	4,153,401	4,589,833
76	1,715,540	0	68,406	593,538	580,420	474,883	449,351	227,582	NA	4,490,243	4,919,427
77	1,865,215	0	43,658	704,533	507,590	479,503	391,790	428,027	NA	4,960,851	5,280,581
78	2,271,767	0	75,152	464,819	751,748	503,832	449,656	504,627	NA	5,424,641	6,511,027
79	2,328,319	0	74,096	519,757	737,946	493,943	897,129	585,331	NA	6,088,459	7,421,868
80	2,571,339	0	60,242	645,257	701,868	398,327	1,120,215	686,405	NA	6,740,159	8,361,332

222

221

Table 2K. Niche College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	65.6	.3	.2	.1	6.0	27.8
73	66.7	.8	0.0	0.0	4.1	28.4
74	62.4	.4	0.0	0.0	7.1	30.1
75	70.9	3.9	2.5	0.0	2.8	19.8
76	71.7	0.0	8.0	0.0	3.1	17.1
77	75.9	0.0	6.3	0.0	1.5	16.4
78	71.2	0.0	5.1	0.0	3.1	20.6
79	70.4	0.0	6.4	.2	2.9	20.1
80	71.8	0.0	6.1	.3	2.1	19.7
$*\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

207

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	32.3	.2	12.0	11.7	18.5	NA	NA	NA	8.3	76.8
73	34.7	0.0	1.6	9.6	27.7	NA	NA	NA	10.9	80.5
74	32.5	0.0	0.0	11.5	32.9	NA	NA	NA	12.2	80.1
75	29.6	0.0	2.7	13.0	21.5	9.3	4.2	6.8	NA	90.5
76	34.9	0.0	1.4	12.1	11.8	9.7	9.1	4.6	NA	91.3
77	35.3	0.0	.8	13.3	9.6	9.1	7.4	8.1	NA	93.9
78	34.9	0.0	1.2	7.1	11.5	7.7	6.9	7.8	NA	83.3
79	31.4	0.0	1.0	7.0	9.9	6.7	12.1	7.9	NA	82.0
80	30.8	0.0	.7	7.7	8.4	4.8	13.4	8.2	NA	80.6
$*\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

$*\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3K. Niche College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$2,371.03	$1,178.52	NA	NA	1,881
74	$2,408.59	$1,212.79	NA	NA	1,400
75	$2,605.65	$1,141.97	$356.58	$263.32	1,191
76	$2,796.13	$1,363.70	$377.49	$180.91	1,258
77	$2,803.15	$1,376.54	$353.88	$315.89	1,355
78	$3,096.33	$1,473.26	$326.73	$327.25	1,542
79	$3,542.04	$1,502.14	$318.67	$377.63	1,550
80	$3,960.70	$1,701.75	$263.62	$454.27	1,511

Table 4K. Niche College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue		Gifts Revenue		Endowment Revenue		Total Revenue		Total TOTFTE	
1971-72	$3,934,016		$360,020		$4,622		$5,995,206			
	100.0		100.0		100.0		100.0			
1972-73	$4,459,914		$274,269		$0		$6,688,937		1,881	
	113.4	13.4%	76.2	-23.8%	.0	-100.0%	111.6	11.6%	100.0	
1973-74	$3,372,021		$384,330		$0		$5,407,059		1,400	
	85.7	-24.4%	106.8	40.1%	.0	.0%	90.2	-19.2%	74.4	-25.6%
1974-75	$3,103,326		$121,920		$0		$4,374,103		1,191	
	78.9	-8.0%	33.9	-68.3%	.0	.0%	73.0	-19.1%	63.3	-14.9%
1975-76	$3,517,528		$154,328		$0		$4,902,744		1,258	
	89.4	13.3%	42.9	26.6%	.0	.0%	81.8	12.1%	66.9	5.6%
1976-77	$3,798,273		$74,316		$0		$5,005,814		1,355	
	96.5	8.0%	20.6	-51.8%	.0	.0%	83.5	2.1%	72.0	7.7%
1977-78	$4,774,547		$209,084		$0		$6,708,256		1,542	
	121.4	25.7%	58.1	181.3%	.0	.0%	111.9	34.0%	82.0	13.8%
1978-79	$5,490,156		$227,844		$16,363		$7,802,938		1,550	
	139.6	15.0%	63.3	9.0%	354.0	.0%	130.2	16.3%	82.4	.5%
1979-80	$5,984,618		$173,257		$22,750		$8,334,238		1,511	
	152.1	9.0%	48.1	-24.0%	492.2	39.0%	139.0	6.8%	80.3	-2.5%

Table 5K. Niche College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships & Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$4,749,907		$5,921,510	
	100.0		100.0		100.0	
1972-73	$0		$5,138,711		$6,379,908	
	.0	.0%	112.9	12.9%	107.7	7.7%
1973-74	$0		$4,188,456		$5,230,564	
	.0	.0%	92.1	-18.5%	88.3	-18.0%
1974-75	$424,605		$4,153,401		$4,589,833	
	.0	.0%	91.3	-.8%	77.5	-12.2%
1975-76	$474,883		$4,490,243		$4,919,427	
	.0	11.8%	98.7	8.1%	83.1	7.2%
1976-77	$479,503		$4,960,651		$5,288,581	
	.0	1.0%	109.0	10.5%	89.2	7.3%
1977-78	$503,[illegible]12		$5,424,641		$6,511,027	
	.0	5.1%	119.2	9.3%	110.0	23.3%
1978-79	$493,943		$6,088,459		$7,421,868	
	.0	-2.0%	133.8	12.2%	125.3	14.0%
1979-80	$398,327		$6,740,159		$8,361,332	
	.0	-19.4%	148.1	10.7%	141.2	12.7%

Table 6K. Niche College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr	Market Value Beg of Yr	Book Value End of Yr	Market Value End of Yr	Yield
1971-72	$632,433 100.0	$632,433 100.0	$638,887 100.0	$638,887 100.0	$6,554 100.0
1972-73	$638,887 101.0 1.0%	$638,887 101.0 1.0%	$640,803 100.3 .3%	$640,803 100.3 .3%	$5,672 86.5 -13.5%
1973-74	$641,347 101.4 .4%	$0 .0 -100.0%	$642,771 100.6 .3%	$0 .0 -100.0%	$0 .0 -100.0%
1974-75	$644,291 101.9 .5%	$644,291 101.9 .0%	$643,701 100.8 .1%	$643,701 100.8 .0%	$0 .0 .0%
1975-76	$643,701 101.8 -.1%	$643,051 101.7 -.2%	$643,701 100.8 .0%	$645,478 101.0 .3%	$7,407 113.0 .0%
1976-77	$645,478 102.1 .3%	$645,478 102.1 .4%	$644,363 100.9 .1%	$644,363 100.9 -.2%	$0 .0 -100.0%
1977-78	$644,363 101.9 -.2%	$644,363 101.9 -.2%	$654,846 102.5 1.6%	$654,846 102.5 1.6%	$1,509 23.0 .0%
1978-79	$654,846 103.5 1.6%	$654,846 103.5 1.6%	$667,205 104.4 1.9%	$667,205 104.4 1.9%	$16,363 249.7 984.4%
1979-80	$667,205 105.5 1.9%	$667,205 105.5 1.9%	$672,892 105.3 .9%	$672,892 105.3 .9%	$22,750 347.1 39.0%

Table 7K. Niche College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr	Additional Borrowed	Payments Made	Balance Owed End of Yr	Interest Payments
1971-72	$10,000,751 100.0	$2,254,056 100.0	$477,457 100.0		
1972-73	$11,956,450 119.6 19.6%	$2,975,000 132.0 32.0%	$359,999 75.4 -24.6%		
1973-74	$13,534,520 135.3 13.2%	$0 .0 -100.0%	$119,147 25.0 -66.9%		
1974-75	$13,410,930 134.1 -.9%	$0 .0 .0%	$45,441 9.5 -61.9%	$13,365,489 100.0	$48,066 100.0
1975-76	$14,071,684 140.7 4.9%	$0 .0 .0%	$246,854 51.7 443.2%	$13,824,830 103.4 3.4%	$619,154 ***** 1188.1%
1976-77	$13,824,830 138.2 -1.8%	$0 .0 .0%	$35,164 7.4 -85.8%	$13,789,666 103.2 -.3%	$606,910 ***** -2.0%
1977-78	$13,789,666 137.9 -.3%	$0 .0 .0%	$118,577 24.8 237.2%	$13,671,089 102.3 -.9%	$605,366 ***** -.3%
1978-79	$13,671,089 136.7 -.9%	$0 .0 .0%	$109,599 23.0 -7.6%	$13,561,490 101.5 -.8%	$144,110 299.8 -76.2%
1979-80	$13,561,490 135.6 -.8%	$0 .0 .0%	$36,786 7.7 -66.4%	$13,524,704 101.2 -.3%	$141,489 294.4 -1.8%

Debt Service from Niche Records

1975-76	$ 91,903
1976-77	$241,867
1977-78	$372,075
1978-79	$470,425
1979-80	$686,775
1980-81	$917,861

CASE COLLEGE

PROFILE

Location:	Small town, Midwest
Type:	Protestant, Comprehensive II
1982 enrollment:	2757 headcount; 1704 FTE undergraduates plus masters, seminary, and MBA students
Date founded:	1878
Cost:	$6656 (tuition, room, and board) 50% of students are on financial aid

The Story of Case College

Case is located in a relatively rural region of a populous state, 60 miles from a major urban center. The town is old, green, and well cared for. The campus is spacious and pastoral, with 30 buildings, mostly brick, that were built in the last 20 years and five older ones. Among the buildings are a theater and a conference center, the latter complete with a public restaurant (one of the few sit-down lunching spots in town) and a hall that will seat 1000 banquet-style.

Affiliated with Case is a theological seminary, also founded by Case's small, conservative denomination. Case welcomes students of all faiths to pursue its career-oriented liberal arts programs.

Branches. Case offers courses in many nearby towns and cities, often in rented school facilities, staffed primarily by its campus faculty. Courses are tailored to local needs; approval of the state Board of Regents is required for accreditation of these sites, and the Board is concerned with limiting off-campus programs to those with demonstrated local need.

Competition. The state hosts many small private colleges, but none in the vicinity of Case. Respondents did not comment on any of them as competitors.

Enrollments and Students

Case grew steadily from 980 students in 1959 to 2800 in 1970. Enrollment fell to 2000 students over the next four years and leveled off after that. In 1982, Case had about 1400 full time students and 2660 total students. Part-time enrollment was high in the late 1960s, but dropped off sharply in the early 1970s, finally regaining a strong share of Case's enrollments with the establishment of off-campus centers in the late 1970s. The 1950s were described as years of full-time traditional age residential and commuter students, the 1960s saw retention of commuter students with increases in residential students, and the 1970s brought declining residential students but increases in part-time commuter and extension students. The campus has 2000 beds for resident students.

Students. Forty percent of Case's students are in-state, and 35% major in business and economics. Case is committed to the average student who deserves a chance, and it admits a high proportion of its applicants. Many students need financial aid; in an effort to offset declines in federal student aid, Case has arranged for the interest from its certificates of deposit at a local bank to subsidize the interest on student loans from the bank while students are in school. Case also has a relatively strong non-need scholarship program, based on student ability. In the late 1960s, many Case students were individuals who might have attended Eastern public colleges and universities if these had not been experiencing exceptionally high enrollments at that time. This was the period when standards of student behavior were relaxed to the point of permitting beer on campus and coeducational residence halls.

Case offers classes in a nearby state reformatory, enrolling about 200 students there. Tuition is paid by the state, and the program is financially attractive to the college. Due to the vagaries of politics, however, the college is reluctant to rely on those revenues in the operating budget.

Student life. Among the opportunities that are said to be especially attractive to Case students are athletics, music, art, radio-TV, and English as a second language. The college offers a full range of extracurricular activities. Although student regulations are fairly liberal, at least one respondent sees a high probability of returning to expectations that are more closely aligned with those of the founding church.

Faculty, Administrators, and Others

Many Case faculty, staff, and administrators are Case alumni, and many have served in various capacities at the college for a number of years. With the exception of the late 1960s, when many new people were hired (some of whom were let go during the troubled early 1970s), Case has conducted itself much like an extended family. Many individuals perform multiple roles simultaneously, and they are likely to have held different kinds of responsibilities at the college in the past.

Faculty. The number of faculty grew from about 60 in 1960 to 200 in 1970 and declined to about 100 in 1982. In 1973, when the faculty-student ratio was 1:11, a planning group set a 1:17 objective. By 1982, a 1:16 ratio had been achieved. Forty-two percent of the faculty hold doctorates.

In the late 1960s, plans called for annual increases of 200 students. When actual enrollments started to decline in 1970, the college began to experience financial problems. In 1972 the president let 25 faculty members go, allocating the slots across the board and deciding personally who was to go. He also offered the faculty "no salary" contracts, indicating that their salaries would depend upon actual enrollments the following fall. Almost immediately, the faculty voted for AAUP to represent them in collective bargaining. The union is said to have been helpful in establishing procedures and lines of communication for the next decade, but also--almost inevitably--to have set up adversarial relations between faculty and administrators. In the spring of 1982, the union was decertified with only two dissenting votes. The very hostile relations that were established in the early 1970s have given way to a return of collaboration and a sense of pulling together for the welfare of all.

The faculty spent several years with minimal or no salary increase, and another major faculty reduction occurred in 1976. This second time was handled somewhat better than the first, but was another divisive event.

In recent years the faculty have become keenly aware of the need to determine and provide programs that appeal to their markets. They have clustered courses in various packages to provide quite a few majors (77 in 1982) with a minimal number of additional courses. Many of them cross-teach in disciplines other than their primary ones, and the faculty shift assignments in order to track enrollments. Many administrative posts are filled with part-time faculty. For example, the half-time dean of students is also a half-time faculty member. In 1975 the number of academic departments was reduced by clustering several together, and in 1979 another clustering created a few schools instead of many departments. These moves are felt to have strengthened interpersonal relations and fostered interdisciplinary efforts.

The faculty are characterized as strong, resilient, loyal to Case, and willing to pull together for the school. They are "not a fast-track mentality--we belong to the college."

Administrators. Case had one president from 1948 through 1977 who presided in a paternalistic, "old grandfather" fashion. Through his efforts, thirty new buildings rose on the campus in the 1960s to accommodate actual and expected growth. The current physical capacity of the campus is 3000 students. He tended to make decisions autonomously, and "his optimism blinded us all," according to one respondent. Physical plant indebtedness rose to $18 million by 1973 (table 7L), with annual payments exceeding $1 million. When his projections did not materialize and enrollment dropped by 1000 (33%) in four years, he had to make decisions that were inherently unpopular and in stark contrast to the upbeat mood of immediately preceding years. The faculty had become accustomed to having the president run the college, even delegating to him some responsibilities they now believe to be theirs. The last few years of his administration were difficult ones.

An intensive search for his successor produced a man who proved to "do not one right thing." Hired largely for his professed skills in fund-raising, he did not produce as expected. He was not effective in dealing with on-campus issues, either, and was asked to leave in 1979. He was "so bad he was good for us--really served as a catalyst that helped to unite us."

The current president, who served in 1979-80 as the interim president, is a minister in the founding church who had spent many years as vice-president of the affiliated theological seminary. There he had been very successful in raising funds and in establishing outreach programs serving students around the state who could not move to Case to pursue theological studies. He is a "process person" who believes that a decision must be processed through the organization even if there is little doubt of its outcome. He believes in the need for the president to outline parameters within which the college will operate and to develop trust and consensus. His job is "to raise money, to keep my door open and the lights on." The president is described as a very hard worker who sets the pace for other staff members and an optimist with a consistently positive attitude.

With three vice-presidents having left in the summer of 1979, the new president set up a planning committee to determine priorities and

recommendations for organizing to meet those priorities. One outcome was that Case does not now have an individual in the role of chief academic officer. Instead, the council of deans collectively considers academic issues, with one of their members serving as "first among equals"--spokesman and contact person. This move is said to have assisted in setting the tone of collaborative decisionmaking and to be working well, but some anticipate the eventual re-establishment of the chief academic officer position.

The chief financial officer from 1978 to 1982 is said to have been a major improvement over his predecessor. He had both an MBA and a CPA, and was credited by one respondent with holding the college together during the tumultous summer of 1979 before the new president was installed. He had served for ten years in a similar position at another small private college in the state.

The admissions office, located across the hall from the president's office, is lively with a number of workers. Often, faculty members will accompany admissions representatives to help explain college offerings to prospective students.

The development office is located in the president's suite. Staff members currently are leading a major capital campaign.

Trustees. During the 1948-77 administration, the board of trustees is said to have met only once a year, acting largely as a "rubber stamp" for the president. Their 180-degree turn began with the difficulties of 1972, although for a time they tended to see the faculty as contentious. They are said to be strong supporters of the college and the faculty now, involved in ensuring its continuing welfare. Fifty percent of the trustees are members of the founding church.

Constituents. The constituent group of which Case officials seem most aware is its market for students. This focus has been developing since a long-range planning group in 1973 identified it. Clientele now include not only typical resident students and commuters but also part-timers in diverse settings for lower division courses and for business and education courses, as well as the group at the reformatory. One respondent expressed his incipient concern about possible drains on staff energy associated with such diversity.

The church provides about $100,000 per year for the college, but has been more active in supporting the seminary--especially since the college has shifted away from its conservative heritage in the past two decades. The college has chosen not to court the church constituency, rather than risk surfacing any disaffection with college policies. Relations with alumni and with the community seem to be amicable, but these groups have not been strongly courted by the college.

Academic Programs

Rather than adopting an elitist liberal arts program, Case sees its mission in the original, or genuine, liberal arts--helping to fulfill the leadership needs of society. It offers a number of professional and pre-professional courses as well as traditional liberal arts. Among the new programs developed in the last decade are radio-TV, business and economics, applied technology, criminal justice, and upper division nursing. The M.B.A. program grew to an enrollment of 500 in its first four years, with courses at seven sites and 80% of the students' employers

footing the bills. A new masters program in education is aimed at area teachers. A new firm in the area has recently offered to subsidize a toxicology program and ensured jobs for its graduates. The art program is offered in cooperation with the art institute in a nearby city. New programs are selected according to their congruence with college history and resources, as well as market demand. The strong English as a second language program and the reformatory program both arose serendipitously, with the college capitalizing on unexpected opportunities in those areas.

The college recently reopened a residential secondary academy, a program it had had in its history.

Planning

During the past ten years, market analysis has been almost continual at Case. Much of the planning effort--to identify needed programs, to prepare new programs, and to evaluate existing programs--has been conducted by representative members of the faculty and administration. Several such groups have convened and issued recommendations or follow-up reports in recent years.

Financial Situation

In the late 1960s, "we could ask for the sky and get it." By 1972, however, creditor pressure forced major budget cutbacks. Total revenues continued to decline, together with enrollments, until 1975 (figure 3L). In subsequent years total revenues rose rapidly, but just barely in keeping with inflation. Much of the increase was due to increased tuition together with a higher level of gifts (table 2L). Due to the problems of the early 1970s, Case had an accumulated short-term debt of $1.7 million by 1978. This figure had been reduced to $960,000 by 1982.

Operating budget. For the past decade, Case has engaged in serious cost study, attempting to hold expenditures down. Its relative investment in operating and maintaining the physical plant and in institutional support attests to this (figure 2L), especially considering the size of Case and its physical plant. The chief financial officer (1978-82) looked at every purchase order personally to determine whether some less costly means could be found to meet the need. Total expenditures exceeded total revenues in 1976 and 1977, of the years for which data are available (table 1L).

Planning documents suggest that the college has been building a tighter connection between revenues and costs. In academic areas that carry special costs (lab courses, for example), fees have been established to cover them. In addition, variance from the 1:17 desired faculty-student ratio is scrutinized on a problem-by-problem basis.

The college has significantly increased its income from gifts and grants in 1979-82, with annual totals for those years of $1.4 million, $1.7 million, and $2.4 million.

Capital. Current value of the physical plant, built for 3000 students, is $50 million. With 1400 resident students, the college has been seeking alternative uses for some of its buildings, but the town is small and out-of-the-way, and it is not easy to find interested parties for such uses. Case has built its conference revenues from $300,000 in

1978 to $800,000 in 1982. Debt service on the physical plant is $1.4 million annually.

A capital campaign began recently to raise $7.7 million. Its intended uses are varied, including scholarships, unrestricted giving, and faculty and plant endowments. The campaign stood at $4.5 million in the fall of 1982, and it was on schedule. Endowment market value was just over $2 million in 1980 (table 6L).

Perceived financial condition. Respondents believe that they are better able to deal with financial difficulties now than they were ten years ago, having had the experience. It is easier to gain acceptance for nontraditional ideas, people are more alert to opportunities, and they are working better together. Some believe that many of Case's degrees of freedom for economizing have been used up, however, and that if further cuts become necessary they will be more difficult to make.

Commentary on Case College

Causes of College Problems

Enrollment seems to have dropped in the early 1970s due to exogenous factors--the end of the war and the draft, fewer students spilling over from Eastern public colleges, changing attitudes toward higher education. Since enrollments are the major factor in total revenues for colleges like Case, the rapid loss of students from 1970 to 1974 is the major factor in its declining total revenues. However, this loss was aggravated by two internal factors.

First, the college had gone heavily into debt to finance a major construction program that assumed 3000 resident students. Having just tripled its enrollment in ten years, this overbuilding was understandable. However, the extent to which Case went into debt to finance it and the lack of alternative uses for the structures have become major problems. In effect, the college needs to raise $1.4 million for debt service just to open its doors each fall.

The second factor is a human one. The drop in enrollment precipitated the need for rapid retrenchment and drastically revised attitudes. Internal dissension was strong, probably discouraging students from attending or returning and also preventing members of the college community from coping constructively with their new circumstances for several years.

College Response to Decline

In general, the college became more market-sensitive. It opened a number of off-campus sites and revised both its programs and its ways of presenting them to prospective students. In addition, it experienced two major reductions in faculty, totalling 50% of the 1970 staff, and began a firm program of expenditure control. The dramatic improvement in interpersonal relations and faculty assumption of shared responsibility for the college is attributed by some to the current president. He is certainly a suitable focus for the new attitude, but it appears to have evolved from earlier beginnings--improved processes through collective

bargaining and the cohesion that developed during the tenure of the 1977-79 president. Collaborative faculty involvement has facilitated market responsiveness and enabled individuals to play multiple and shifting roles, thereby saving money and improving collective spirit as well as preventing the need for further involuntary personnel cuts.

The Lessons in Case's Experience

The president may not be critical, but an organization cannot rise above him. One respondent commented, "We had a lousy president, but we survived. Now we have a good president, but it's still tough." Another concurred, but added that the college could not rise above the level of the president's leadership. Thus, for example, when the 1948-77 president engaged in a poor process for faculty reduction, the faculty responded adversarially by forming the collective bargaining unit. When Case had a poor president for two years, its only recourse was to eject him. The current president allows latent tendencies for collaboration to flower, but may be repressing other needed developments. Unlike many other cases in this study, individual presidents are neither blamed for the trauma nor praised for the recovery, although each president certainly played key roles.

Collective bargaining units can play a useful role in college dynamics and may be terminated when that role is no longer necessary. What Case seemed to need most in 1972 was new patterns of attitudes and communication. The faculty needed to assume their responsibilities for college welfare and to work with the administration in solving college problems. The union is credited as the focus for these changes during the next ten years. When they were made, and a president who would foster them was installed, the union was seen by the faculty as no longer necessary and decertified.

Successful market responsiveness may require the involvement of many individuals in the college. New programs of so many kinds, arising from such diverse contacts, could hardly have been effected from the involvement of a limited number of individuals. One member of the faculty is credited with great success in this area because she participates in so many non-college activities and is constantly on the alert for opportunities that the college could capitalize on. But several successful programs arose from similar initiative on the part of other individuals, some of whom simply happened to be in the right place at the right time with similar alertness to opportunity. Furthermore, frequent changes in the curriculum would not be permitted by a faculty that did not see the need for market responsiveness. Therefore, a college that sees its mission and survivability as requiring market responsiveness may require that virtually all members of the faculty and administration actively participate in finding and capitalizing on opportunities.

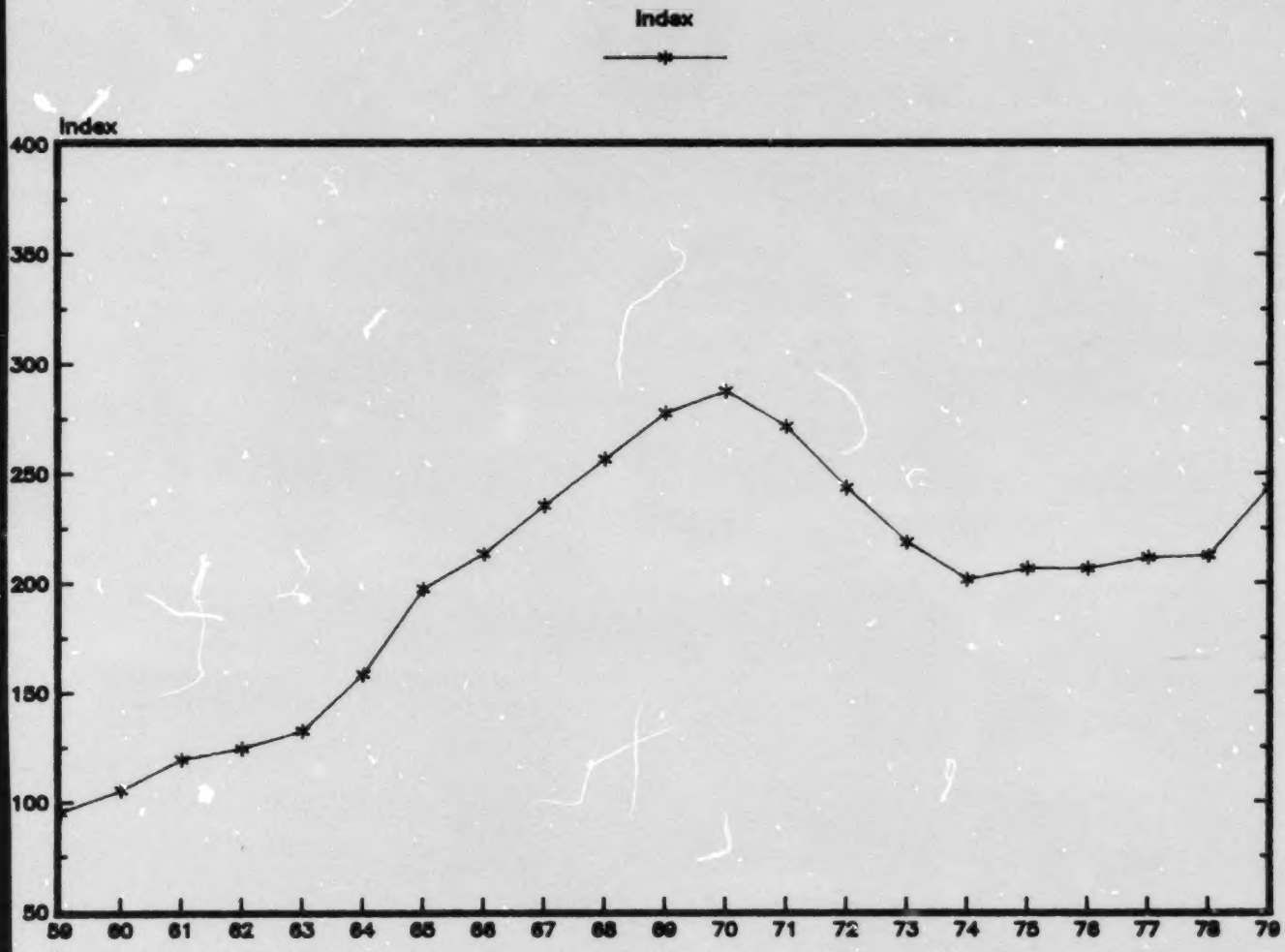
Financial viability of colleges like Case may require improvements not only in programs and expenditure control, but also in unearned income. The major area in which we did not see Case taking decisive and effective action to date was fund-raising. Gifts did not improve much during the 1970s, and endowment value did not increase greatly. Although it is easy to understand an emphasis on enrollments in a college that is so tuition-dependent, it is clear that neither tuition nor enrollment will ever be high enough to absorb the annual $1.4 million in debt service.

Or, if they did get high enough, the college would have new capital needs by then. Case has not fully recovered financially, with nearly $1 million in short-term debt still to retire, and we expect that it will not without major new infusions of unearned income.

Figure 1L

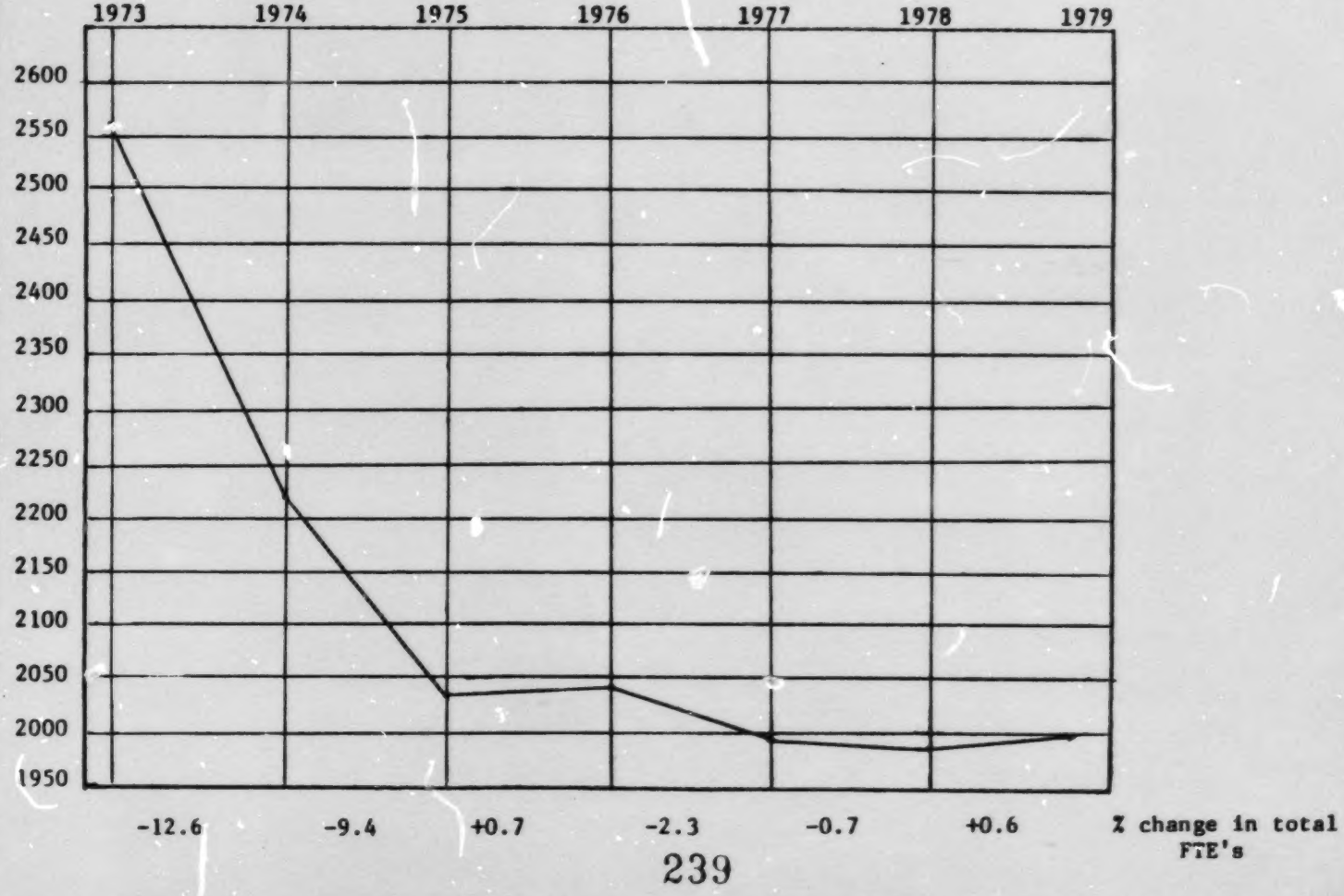
Indexed* Headcount Enrollments (1959–1979)

Case College



*Index based on average of first two years data

Figure 2L. Case College: Total Full-Time Equivalent Student by year 1973-1979



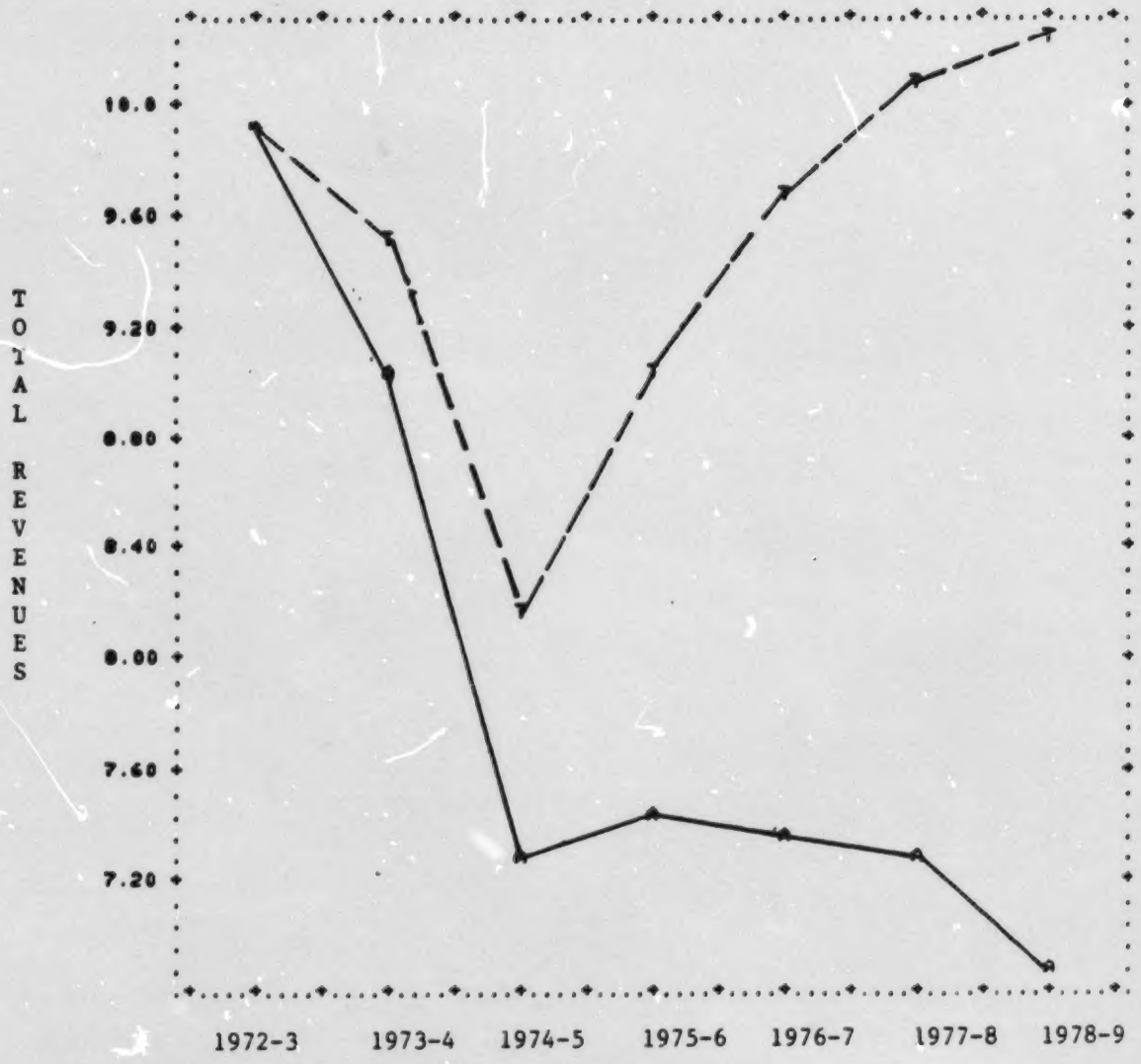


Figure 3L. Case College 1973-1979 Revenue Trends

T = total revenues

A = total revenues, adjusted for inflation (HEPI)

Table 1L. Case College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants & Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	4,514,115	0	0	60,160	447,925	4,916,726	9,938,926
73	4,298,532	0	0	67,250	511,027	5,029,597	9,906,406
74	4,309,737	0	0	82,629	481,598	4,625,608	9,499,572
75	4,588,766	0	279,230	99,258	101,847	3,122,331	8,191,432
76	5,003,766	0	453,661	90,961	143,493	3,375,831	9,067,712
77	5,614,356	0	0	111,563	587,039	3,338,948	9,651,906
78	5,828,961	0	0	101,934	608,309	3,538,232	10,077,436
79	6,161,485	0	0	112,268	441,123	3,537,752	10,252,628
80	7,259,042	0	0	173,503	504,531	3,982,146	11,919,222

224

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	3,327,564	0	0	619,636	2,022,647	NA	NA	NA	610,463	6,220,033	9,983,124
73	2,857,475	0	0	588,532	1,960,760	NA	NA	NA	676,076	5,595,164	9,333,986
74	2,845,814	0	0	619,205	1,755,974	NA	NA	NA	640,543	5,433,452	9,164,286
75	2,900,467	0	0	724,184	963,733	730,123	195,991	0	NA	6,322,070	9,219,238
76	2,992,818	0	0	610,288	1,090,256	840,896	186,299	0	NA	6,519,105	9,572,660
77	2,912,927	0	0	611,077	886,830	885,744	192,491	441,986	NA	6,706,169	9,543,586
78	2,883,876	0	0	741,067	915,749	1,093,653	218,623	482,981	NA	7,046,683	10,055,604
79	2,933,890	0	0	834,973	1,025,234	1,120,301	195,711	494,741	NA	7,261,632	10,241,332
80	3,413,286	0	0	878,306	1,130,321	872,561	232,953	1,070,859	NA	8,148,235	11,910,888

241

242

Table 2L. Case College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	45.4	0.0	0.0	.6	4.5	49.5
73	43.4	0.0	0.0	.7	5.2	50.8
74	45.4	0.0	0.0	.9	5.1	48.7
75	56.0	0.0	3.4	1.2	1.2	38.1
76	55.2	0.0	5.0	1.0	1.6	37.2
77	58.2	0.0	0.0	1.2	6.1	34.6
78	57.8	0.0	0.0	1.0	6.0	35.1
79	60.1	0.0	0.0	1.1	4.3	34.5
80	60.9	0.0	0.0	1.5	4.2	33.4
*$\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

225

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	33.3	0.0	0.0	6.2	20.3	NA	NA	NA	6.1	62.3
73	30.6	0.0	0.0	6.3	21.0	NA	NA	NA	7.2	59.9
74	31.1	0.0	0.0	6.8	19.2	NA	NA	NA	7.0	59.3
75	31.5	0.0	0.0	7.9	10.5	7.9	2.1	0.0	NA	68.6
76	31.3	0.0	0.0	6.4	11.4	8.8	1.9	0.0	NA	68.1
77	30.5	0.0	0.0	6.4	9.3	9.3	2.0	4.6	NA	70.3
78	28.7	0.0	0.0	7.4	9.1	10.9	2.2	4.8	NA	70.1
79	28.6	0.0	0.0	8.2	10.0	10.9	1.9	4.8	NA	70.9
80	28.7	0.0	0.0	7.4	9.5	7.3	2.0	9.0	NA	68.4
*$\bar{x}$	32.0	0.3	0.7	7.3	16.0	9.6	5.3	7.1	10.1	76.3

*$\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3L. Case College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$1,679.11	$1,116.20	NA	NA	2,560
74	$1,926.57	$1,272.16	NA	NA	2,237
75	$2,263.82	$1,430.92	$360.20	$. 0	2,027
76	$2,451.62	$1,466.35	$412.00	$. 0	2,041
77	$2,814.21	$1,460.11	$443.98	$221.55	1,995
78	$2,940.95	$1,455.03	$551.79	$243.68	1,982
79	$3,091.56	$1,472.10	$562.12	$248.24	1,993
80	$3,200.64	$1,504.98	$384.73	$472.16	2,268

Table 4L. Case College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue		Gifts Revenue		Endowment Revenue		Total Revenue		Total TOTFTE	
1971-72	$4,514,115		$447,925		$60,160		$9,938,926			
	100.0		100.0		100.0		100.0			
1972-73	$4,298,532		$511,027		$67,250		$9,906,406		2,560	
	95.2	-4.8%	114.1	14.1%	111.8	11.8%	99.7	-.3%	100.0	
1973-74	$4,309,737		$481,598		$82,629		$9,499,572		2,237	
	95.5	.3%	107.5	-5.8%	137.3	22.9%	95.6	-4.1%	87.4	-12.6%
1974-75	$4,588,766		$101,847		$99,258		$8,191,432		2,027	
	101.7	6.5%	22.7	-78.9%	165.0	20.1%	82.4	-13.8%	79.2	-9.4%
1975-76	$5,003,766		$143,493		$90,961		$9,067,712		2,041	
	110.8	9.0%	32.0	40.9%	151.2	-8.4%	91.2	10.7%	79.7	.7%
1976-77	$5,614,356		$587,039		$111,563		$9,651,906		1,995	
	124.4	12.2%	131.1	309.1%	185.4	22.6%	97.1	6.4%	77.9	-2.3%
1977-78	$5,828,961		$608,309		$101,934		$10,077,436		1,982	
	129.1	3.8%	135.8	3.6%	169.4	-8.6%	101.4	4.4%	77.4	-.7%
1978-79	$6,161,485		$441,123		$112,268		$10,252,628		1,993	
	136.5	5.7%	98.5	-27.5%	186.6	10.1%	103.2	1.7%	77.9	.6%
1979-80	$7,259,042		$504,531		$173,503		$11,919,222		2,268	
	160.8	17.8%	112.6	14.4%	288.4	54.5%	119.9	16.3%	88.6	13.8%

Table 5L. Case College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships& Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$6,220,033		$9,983,124	
	100.0		100.0		100.0	
1972-73	$0		$5,595,164		$9,333,986	
	.0	.0%	90.0	-10.0%	93.5	-6.5%
1973-74	$0		$5,433,452		$9,164,286	
	.0	.0%	87.4	-2.9%	91.8	-1.8%
1974-75	$730,123		$6,322,070		$9,219,238	
	.0	.0%	101.6	16.4%	92.3	.6%
1975-76	$840,896		$6,519,105		$9,572,660	
	.0	15.2%	104.8	3.1%	95.9	3.8%
1976-77	$885,744		$6,706,169		$9,543,586	
	.0	5.3%	107.8	2.9%	95.6	-.3%
1977-78	$1,093,653		$7,046,683		$10,055,604	
	.0	23.5%	113.3	5.1%	100.7	5.4%
1978-79	$1,120,301		$7,261,632		$10,241,332	
	.0	2.4%	116.7	3.1%	102.6	1.8%
1979-80	$872,561		$8,140,235		$11,910,083	
	.0	-22.1%	131.0	12.2%	119.3	16.3%

Table 6L. Case College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr	Market Value Beg of Yr	Book Value End of Yr	Market Value End of Yr	Yield
1971-72	$1,096,338	$1,362,882	$1,142,430	$1,399,480	$60,160
	100.0	100.0	100.0	100.0	100.0
1972-73	$1,142,430	$1,399,480	$1,230,567	$1,476,780	$67,250
	104.2 4.2%	102.7 2.7%	107.7 7.7%	105.5 5.5%	111.8 11.8%
1973-74	$1,230,567	$0	$1,372,152	$0	$82,629
	112.2 7.7%	.0 -100.0%	120.1 11.5%	.0 -100.0%	137.3 22.9%
1974-75	$1,372,152	$1,344,737	$1,529,768	$1,707,708	$99,258
	125.2 11.5%	98.7 .0%	133.9 11.5%	122.0 .0%	165.0 20.1%
1975-76	$1,529,768	$1,664,306	$1,552,883	$1,759,485	$90,961
	139.5 11.5%	122.1 23.8%	135.9 1.5%	125.7 3.0%	151.2 -8.4%
1976-77	$1,552,883	$1,759,485	$1,623,200	$1,881,693	$111,563
	141.6 1.5%	129.1 5.7%	142.1 4.5%	134.5 6.9%	185.4 22.6%
1977-78	$1,623,200	$1,832,767	$1,672,126	$1,868,872	$101,934
	148.1 4.5%	134.5 4.2%	146.4 3.0%	133.5 -.7%	169.4 -8.6%
1978-79	$1,921,874	$1,868,872	$2,090,456	$2,047,192	$112,268
	175.3 18.4%	137.1 2.0%	183.0 25.0%	146.3 9.5%	186.6 10.1%
1979-80	$2,090,456	$2,047,192	$2,582,111	$2,572,398	$173,503
	190.7 8.8%	150.2 9.5%	226.0 23.5%	183.8 25.7%	288.4 54.5%

Table 7L. Case College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr	Additional Borrowed	Payments Made	Balance Owed End of Yr	Interest Payments
1971-72	$16,246,525 100.0	$2,485,000 100.0	$396,246 100.0		
1972-73	$18,335,279 112.9 12.9%	$0 .0 -100.0%	$433,087 109.3 9.3%		
1973-74	$17,902,192 110.2 -2.4%	$0 .0 .0%	$466,369 117.7 7.7%		
1974-75	$17,435,823 107.3 -2.6%	$0 .0 .0%	$433,783 109.5 -7.0%	$17,002,040 100.0	$978,451 100.0
1975-76	$17,002,040 104.7 -2.5%	$0 .0 .0%	$486,434 122.8 12.1%	$16,515,606 97.1 -2.9%	$948,645 97.0 -3.0%
1976-77	$16,515,606 101.7 -2.9%	$0 .0 .0%	$551,184 139.1 13.3%	$15,964,422 93.9 -3.3%	$1,019,761 104.2 7.5%
1977-78	$15,964,422 98.3 -3.3%	$0 .0 .0%	$506,450 127.8 -8.1%	$15,457,972 90.9 -3.2%	$979,749 100.1 -3.9%
1978-79	$15,457,972 95.1 -3.2%	$0 .0 .0%	$783,688 197.8 54.7%	$14,674,284 86.3 -5.1%	$884,644 90.4 -9.7%
1979-80	$14,674,284 90.3 -5.1%	$0 .0 .0%	$451,973 114.1 -42.3%	$14,222,311 83.7 -3.1%	$829,381 84.8 -6.2%

QUEST COLLEGE

PROFILE

Location:	Northeast, rural
Type:	1973: Liberal Arts I 1976: Comprehensive II Independent
Enrollment:	1980: 1408 1982: 110
Date founded:	1938
1981 cost:	$7800 (tuition, room, and board) nearly 50% of students on financial aid

The Story of Quest College

The mission of Quest is defined largely by its educational philosophy, which includes "the marriage of idealism and utility." The learning process at this experimenting college is centered on individual needs and readiness, carried out through problem-solving, intellectual discussion, and active involvement. The people of the college have always been involved in social and political concerns. Commenting on the use of the campus for a commercial movie setting, the president remarked that the college, like the film, is "low budget but quite sophisticated."

Although Quest experienced declining revenues starting in the early 1970s, respondents did not identify a crisis situation at the college until 1980. The crisis seems to have been precipitated both by Quest's tenuous financial condition and by nervousness on the part of its lending bank and its accrediting association--nervousness that was intensified by the abrupt closure of a nearby college, leaving a bank holding the bag and the accrediting association with egg on its face. When the bank put on pressure for repayment of some $1 million in short-term loans to Quest, the accrediting association sent a review team to the campus and it recommended removing Quest's accreditation. The association announced that recommendation (not yet a decision) to the press. From the fall of 1980 through the following April, Quest's accreditation was in question. Quest officials pointed out that removal of accreditation would certainly force closure, and the chairman of Quest's board threatened to sue the association. The accrediting group finally rescinded the review team's recommendation and put the college on probation but not before major national and regional newspapers had reported the apparent loss of accreditation and the probable closure of the college. The college has undergone major changes in program and leadership, and it has just begun its efforts to rebuild and re-establish itself much as it had been during its first two decades.

Branches. Quest offered off-campus non-resident degree programs for undergraduates starting in 1962 and for masters degrees starting in 1970.

These programs were highly individualized, requiring no physical teaching sites. Quest sold four of these programs in 1981 and instead created one program for on and off campus, BA and MA students.

Competition. The Northeast includes several experimental colleges, and others are scattered throughout the nation. In general, both the supply of institutions and the demand from students for such programs is small. Quest is more interested in attracting students who prefer and can succeed in its programs than in competing with other institutions.

Enrollments and Students

Quest enrolled 120 students in 1959 (figure 1M), but grew rapidly to 1900 in 1972-1974. This growth was more dramatic than any other in this study, and it is attributable to several factors. In addition to general trends that aided growth at nearly every college in those years, students came to Quest because it appealed to then-prevalent concerns about social issues. Quest also was among the first to establish off-campus degree programs, requiring minimal residence on campus, and by 1970 they enrolled approximately half the students. Quest's lack of examinations and grades, and its emphasis on independent study, also appealed to the liberal mood of the times. Enrollment fell off to 1400 by 1980, probably due largely to shifts in student interest. In 1981, Quest sold four of its five programs to a nearby college, which enrolled the students and hired the faculty from those programs. This move, together with concern for the continued existence of the college, accounts for the dramatic reduction to 110 students in 1982.

Students. Fifty-three percent of the students are between the ages of 18 and 25, 50% from families with less than $21,000 income, and 12% are minorities. Twenty-one percent are in-state students, and an additional 35% come from the region. The most attractive programs are said to be the arts, psychology, environmental science, social science, and social change. Quest is interested in serving students who otherwise might not go to college--those with high potential but who have had learning problems in the past. Its students are very loyal to and supportive of Quest. The admissions office looks more closely at the personal statement and other indications that the student will work well in this relatively open environment than at traditional indicators of academic promise.

The college has served an increasing number of adult students who opt for the program that requires minimal campus residency; these students pay about 40% as much as resident students, whose larger fee includes room, board, and more frequent access to campus support services. In 1982, Quest contracted to provide mid-management education for a federal agency's staff. It has also offered a center for the continuing education of area teachers, with grant support.

Student life. From 1965 until 1981, Quest operated two adjacent but largely autonomous campuses, in the hope that this division would enable participants to continue the intimate learning process which is a high priority at Quest. Students are expected to participate in a work program to help run and maintain the college, and they often participate in a variety of social assistance programs as part of their learning experience. Such programs have, for example, assisted low-income communities in organizing to ensure that their needs are met, and supported the efforts of a number of communities in cleaning up a river.

Through such efforts, Quest students have counterbalanced the reputation of the college as a hot-bed of liberalism in a very traditional state (one citizen remarked that, "Quest had hippies before there were hippies") with a reputation for contributing in major ways to the welfare of the region and its people. The acceptance of people and behavior at Quest has not been without its rough spots in terms of college image. In the early 1970s, Quest had one dorm with a witchcraft theme, and another in which armed black students lived.

Faculty, Administrators, and Others

The people at Quest have made enormous personal contributions to the college, based on their conviction regarding the importance of the college in the spectrum of higher education institutions and of the educational philosophy it espouses. Throughout Quest's history, they have accepted low salaries and contributed part of their salaries when occasion required.

Faculty. The current faculty consists of eight core members, four of whom have doctorates, and 18 adjunct faculty, who supervise special group studies on the basis of their expertise. Administrators are also actively engaged in teaching and advising. The faculty serve without tenure, rank, or departmental affiliations. In 1973 or 1974, they voted for collective bargaining. Although no union member is currently on the faculty, the administration must still deal with the union. In 1975 50% of the faculty of one program were let go, and in 1981 80% of the entire staff were let go. Many of the latter group were picked up by the college that bought four of Quest's programs, but the college incurred some $150,000 in unemployment compensation expense.

When the college was growing, the faculty were organized in four nearly autonomous groups in an effort to retain the advantages of small size. This move proved to be expensive and divisive, and it made needed reductions in faculty size very difficult to accomplish.

Administrators. Until 1969, Quest was headed by a "benign but absolute dictator." His philosophy was to rely on tuition income to support the college in order to minimize the effect of outside influences on college operations, but he also raised funds from other sources. He was very active in national higher education affairs, which helped to keep Quest on the cutting edge of innovation and also promoted a national reputation for the school. His ability to interpret the college to external constituencies was rated extraordinary by those who remember his administration.

This president was succeeded by "an erudite, charming" man who seems to have allowed the college to be run by committee. The faculty are said to have been able to get the president to overturn unpopular financial decisions. Once, when Quest was offered a trust for student financial aid with some restrictions attached, the president asked the students to decide whether to accept the gift. They rejected it as undemocratic in its effects.

This president left in 1974 and was followed by a one-year interim president, then a two-year appointment of a controversial president. The president from 1977 to 1980 had worked in financial affairs under the first president. He received mixed reviews from respondents, but one correlate of his years of service is a dramatic increase in gift income,

and expenses seem to have been held down during those years. When the trustees rejected his proposed budget and asked instead for another financial contribution from the faculty, this president resigned on the spot, stating his belief that the faculty had already been asked to contribute too much. This incident was concurrent with pressures from the bank and accrediting association, described above. An interim president served for the balance of that year.

The president since 1981 had been a consultant to plan for major reorganization of the college. His training and experience have been in higher education administration, group dynamics, and institutional change, areas in which he had earned a national reputation. He is, at heart, an educator--a factor some rate as important in retaining the distinctive character of a Quest education. He seems to dislike fund-raising, but has taken steps to improve the staff in that area. His style is collaborative, and he prefers not to control situations, but he is receiving and recognizing signals from the staff that somewhat stronger leadership from him is required.

The current administration is described as "lean and multifunctional," and "populated with good people, some of whom lack both training and experience in their areas of responsibility." Some see this as a problem, commenting that the college can neither afford on-the-job training nor top-rated specialists. Neither development nor admissions has had strong professional leadership, but the new person in charge of advancement is said to be off to a good start.

College administration has for one year been carried out through the work of three major teams, each of which selects its leader for a one-year term. The president serves also as chief academic officer to provide more leadership and continuity in that area.

Trustees. The trustees are said to have been a rubber stamp for the president through 1969, and to have remained largely inactive through 1976. Since then, however, their level of involvement with the college has increased. Many of the trustees are more representative of the academic and philosophical interests of the college than of the financial and fund-raising needs of the budget. Two students are on the board.

The chairman of the board was highly involved in the events of the 1980-81 academic year. He spent a good deal of time on the campus after the 1977-80 president left, and he had a "shadow cabinet" consisting of a few members of the administration. His influence and his efforts are credited with carrying the college through that year. The trustees considered closing the college and hired a consultant to assist them in planning an orderly closure. However, another consultant stated that it was not the trustees' job to close the college--their function was to keep it open. If someone else wanted to, they could force closure, but the college should not lie down and die. Although in the spring of 1981 a group of students and faculty chided the trustees for insufficient personal giving and devotion to fund-raising, the trustees seem to have taken the second consultant's advice.

Constituents. Quest seems to have reasonably good but low-key relations with both alumni and community. Although the first president's philosophy precluded developing an alumni association, alumni have recently been activated to help in explaining Quest's education to potential students and counteracting the rumors that Quest had closed. The real focus of Quest is not on constituents, however--it is on the philosophy of the college and its ability to benefit a certain kind of student.

Academic Programs

According to HEGIS data, Quest added a large number of baccalaureate and masters programs during the 1970s. However, given the highly individualized nature of study at Quest, programs tend to be diverse under any circumstances, perhaps tending to be more representative of changing faculty and student interests than of changes in the mission or operations of the college. As noted above, faculty and students were organized into several subdivisions. It was the adult degree program, much of the graduate program, a weekend college, and a masters program in writing that were sold to a neighboring college in 1981.

This move sparked a good deal of controversy not because people thought the programs should be retained but (a) because the military-oriented history of the purchasing college had always been inimical to the pacifist-oriented Quest and (b) because it seemed heartless if not impossible to excise and sell academic programs. Nonetheless, the change seems to have occurred successfully and relatively painlessly for all.

One respondent noted a dilemma. He felt that Quest had pressed topics of the 1960s through the 1970s, without responding to the increasing cry for help in preparing for employment. He felt that Quest needed to learn to connect itself continuously to its times, a need that could not be met through strategies imposed by top management.

Planning

It is difficult at best to plan in an organization that is committed to participatory governance to the extent that Quest is committed. Quest did receive a one-year planning grant from Title III (Strengthening Developing Institutions Program) in 1980, and submitted a long range planning document in 1982 as part of its request for continued funding. Most funds are proposed for curricular reorganization and improvement, with some funds allocated for the advancement (development and admissions) office, the business office, and development of the first computerized management information system at Quest. The plan sets a goal of 250 students, 150 of whom should be full-time resident students, at which level Quest can be self-sufficient, given reasonable support from other sources. The plan also anticipates retiring college debt in four to ten years.

Financial Situation

Quest's total expenditures exceeded its total revenues in 1973, 1975, 1976, 1978, 1979, and 1980 (table 1M), with a total difference of about $1.3 million, most of it incurred in the earlier years. In 1975 a cash flow problem became apparent, precipitating the first major layoff of faculty. Total short-term debt in 1982 amounted to $800,000. A long-term employee remarked that the college had experienced even worse times in the 1950s, but without the added complications of accreditation issues and large mortgages (debt service is about $225,000 annually--table 7M). Quest is heavily dependent on tuition revenues and well below average in gift and endowment income (table 2M). Respondents noted that the college

was committed to something it couldn't afford, with concerns for people and issues taking strong precedence over financial concerns for a number of years.

Operating budget. The current business officer at Quest has initiated expenditure controls and cost-reduction measures during his three years at the college. Past cost-containment moves seem to have dealt more with major decisions, like large-scale faculty layoffs, than with monitoring routine costs. Nonetheless, Quest has kept its expenditures exceptionally low during the 1970s (tables 1M and 3M), despite high rates of inflation.

Capital. The physical plant expanded in the 1960s to accommodate more students, but not to the extent that several other colleges in this study experienced. The buildings are not pretentious, and students helped build them. Maintenance of the plant has been deferred to a significant extent. Capital debt, about $3 million in 1980, is large for a college of 100 students, but small in the context of its former size and its exceedingly rapid growth rate in the 1960s. $400,000 worth of property was offered for sale in 1980, and much of that has been sold. In addition, an auction of excess equipment and supplies raised $80,000. The president has been renegotiating $2 million in debt to the federal government in order to bring debt service to a tolerable level.

Until 1980 brought in $20,000, Quest had no endowment. As described above, this was a result of the first president's commitment to autonomy and self-sufficiency for the college.

Perceived financial condition. One respondent summed up the views of several by saying that "we are walking a very delicate tightrope in a very windy place." They noted also, however, that operating the college would not require a great deal of money once the debt service was reduced. Furthermore, most believe that Quest, in its present form or some future incarnation, has a vital role to play in the higher education industry--a role that neither they nor others in the field would allow to die. People are generally pleased with the return to the pre-1960 Quest College, with its smaller size and more focused mission.

Commentary on Quest College

Causes of College Problems

Two major factors appear to account for Quest's loss of students, especially full time resident students. One is the change in the general mood of society, away from liberalism and social concern toward pragmatism and vocationalism. Since Quest did not make major, visible moves to accommodate those new concerns, the number of students it appealed to dwindled.

The other, probably an equally important factor, is that its innovative leadership of the 1960s was so successful that it spawned a great deal of competition. The first president noted that Quest's independent study, its off campus degree programs, and its use of ungraded student portfolios as measures of academic progress were all radically new at the time Quest introduced them. Yet each has been adopted since then by many colleges, including relatively low-cost public institutions. Similarly successful innovations were not introduced at Quest during the 1970s to attract students who would replace those lost to the competition.

Yet Quest was in serious financial difficulty, out of proportion to the number of students it lost before the 1980 reorganization. Some attribute this to overexpansion, although Quest's behavior was moderate relative to other colleges in this study. The only other contributing factor we saw was long-term absence of an effective voice for financial concerns. Rather than make continuing effort at the little tough decisions (until recently, interoffice memos went on printed stationery), Quest officials seemed to allow problems to accrue until big tough decisions (firing a large proportion of the faculty) were inevitably required.

College Response to Decline

Responses during the 1970s included at least nominal proliferation of programs and sporadic but drastic faculty cuts. After the crisis with the bank and the accrediting association, the college considered closing but rejected the idea. It then changed presidents, sold four major programs to another college, in the process reducing its student and faculty size to less than 10% of what they had been and positioning the school to return to the kind of organization it had been for its first two decades--small, intimate, flexible, and dedicated to individualized learning. It remains to be seen whether these changes will effectively rescue the college.

One respondent listed these factors as essential to recovery for a college like Quest: genuine belief in the organization, leadership that mobilizes constructive processes, external support, a crisis that forces participants to face reality, good luck, and a gracious humaneness in dealing with people. With the possible exceptions of external financial support in sufficient quantity and good luck, Quest has had these factors.

The Lessons in Quest's Experience

A college that has a mission predicated in large measure on small size may be at risk if it allows itself to get larger. The first president has said recently that if he had it to do over again, he would not have allowed Quest to grow past 250 students. He did understand at the time the value of small size, as shown by his efforts to retain the benefits of smallness by establishing autonomous subunits. However, he, too, was carried along by the euphoria of the 1960s. In the process, he incurred more capital debt than the college was accustomed to carrying, set up a management situation that was difficult to control, and probably diluted the loyalty and commitment to educational philosophy that had characterized the college earlier (one faculty member remarked that the programs Quest had sold were populated largely by faculty members whose approach had become quite traditional, fitting poorly with the overall Quest mission). Perhaps there is some means of getting larger without such detrimental side-effects, but the probability of discovering it seems very low.

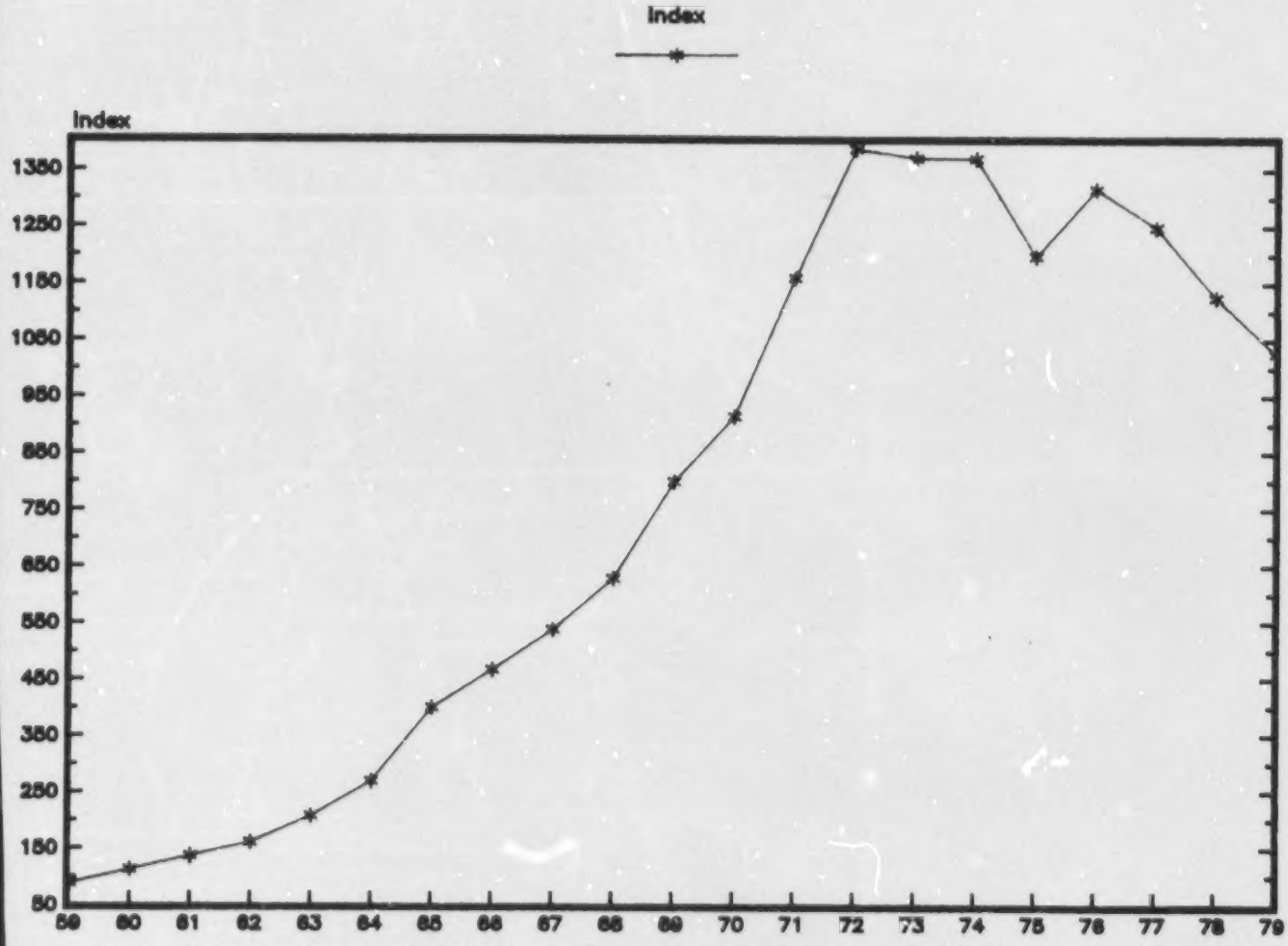
There may be a limit on the utility of collective decisionmaking--a limit that is defined by the need for financial management. In a college that is dedicated to lofty, meritorious ideals, the voice that prescribes economy and fiscal restraint or the need to go asking for money is likely

to be unpopular. Such concerns may be considered so much less important than responding to human needs that they are inadequately attended to. This seems to have been the case from 1970 through 1982 at Quest. The college proceeded to do what it felt was right and necessary, allowing financial problems to accumulate. Perhaps if financial controls and fund-raising had been higher on the priority list, Quest would be in a very different position today.

An experimenting college may lose its competitive advantage if it does not continuously produce innovations. The more successful the experiments, the greater the need to produce new ones. Quest seems to have established a creative niche for itself within higher education during the 1960s and then failed to take action when its niche was invaded by strongly competitive (lower cost, more geographically accessible) colleges. Furthermore, it may have defined its niche too narrowly for long-term welfare. The college may have considered itself in the business of providing education for those who preferred alternative learning modes and shared a commitment to a certain version of social conscience, rather than seeing itself as the provider of creative alternative approaches to whatever it was that society--and especially youth--was currently concerned about.

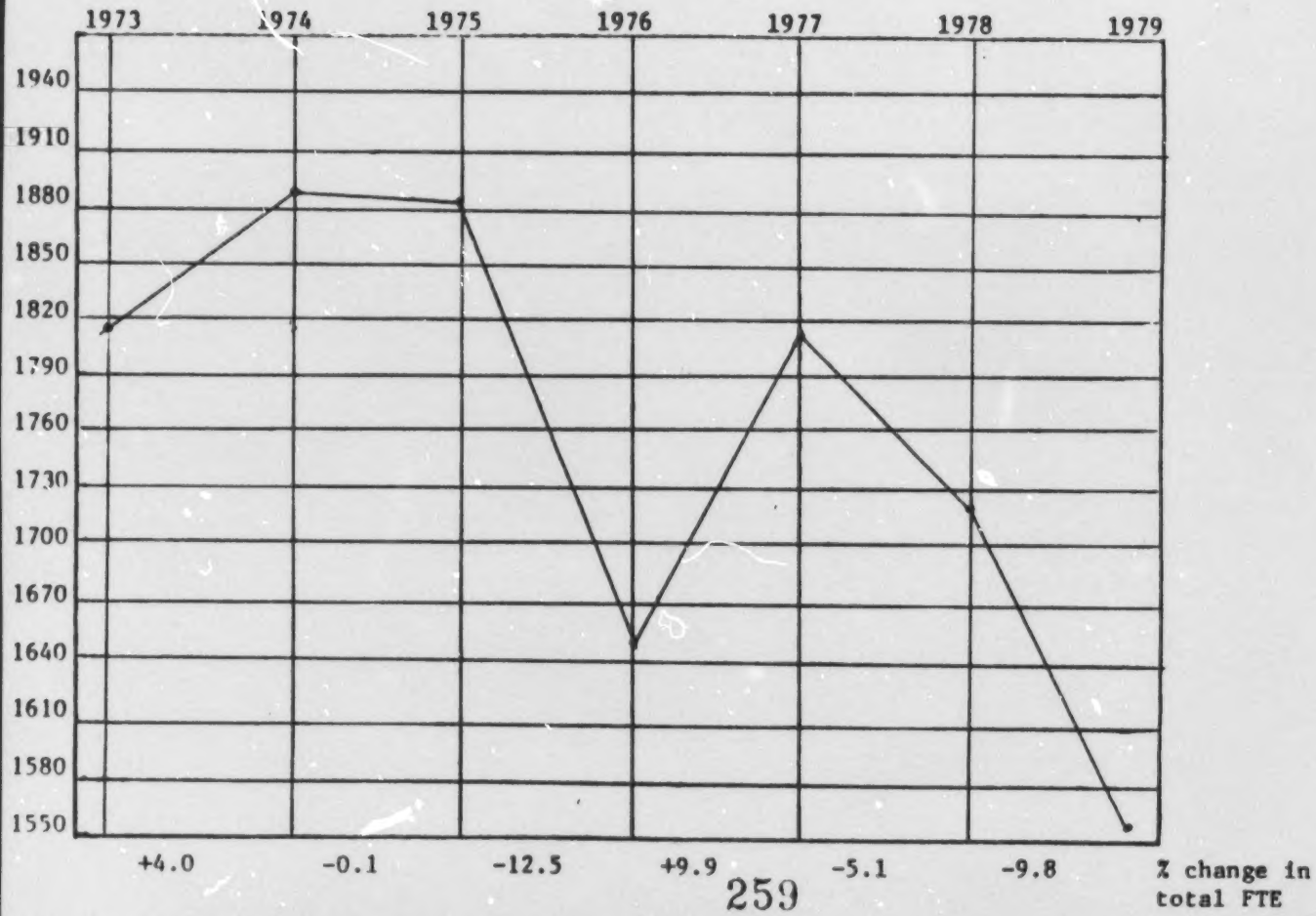
Figure 1M

Indexed* Headcount Enrollments (1959–1979)
Quest College



*Index based on average of first two years data

Figure 2M. Quest College: Total Full-Time Equivalent Student by year 1973-1979



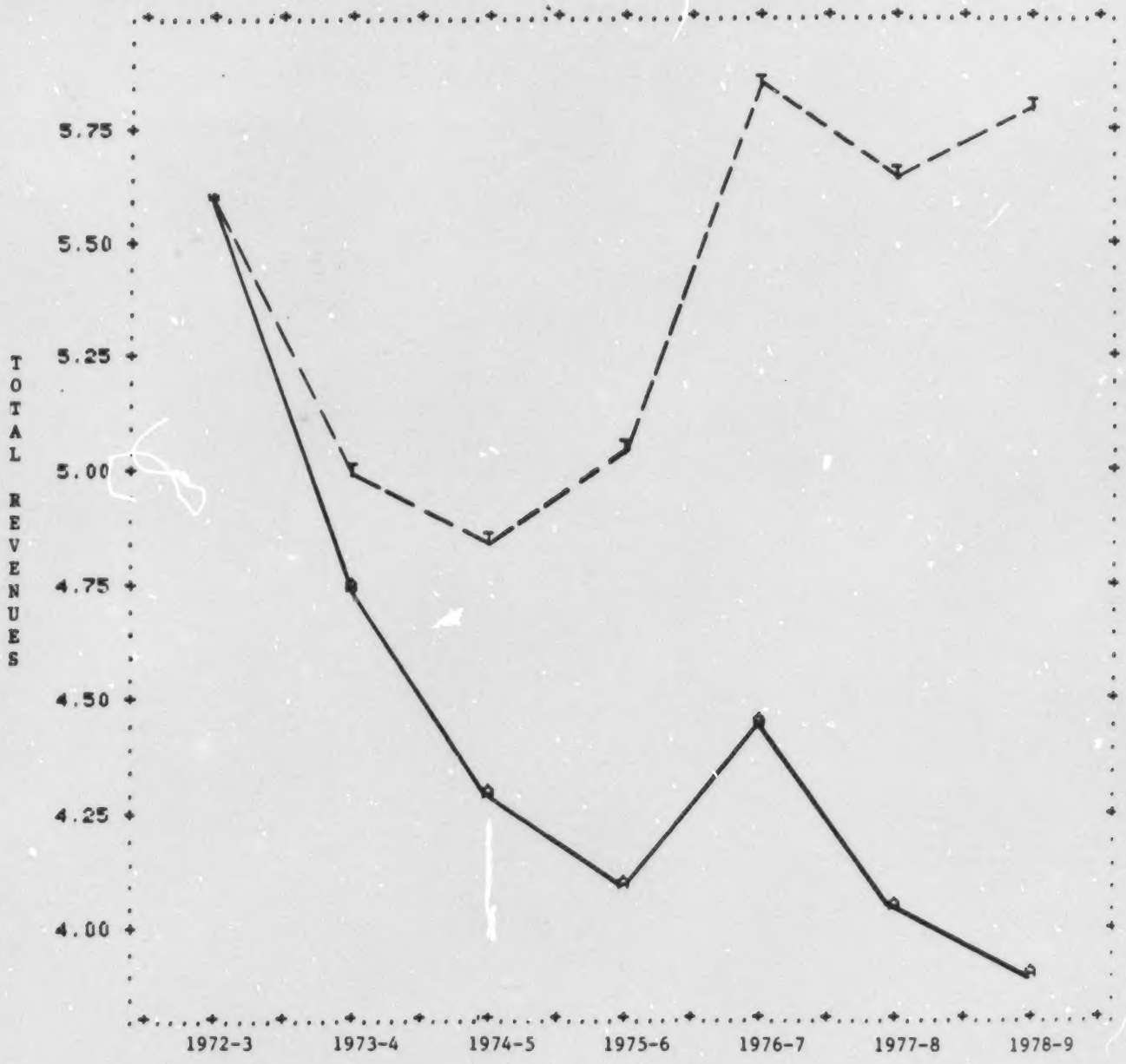


Figure 3M. Quest College 1973-1979 Revenue Trends

T = total revenues

Δ = total revenues, adjusted for inflation (HEPI)

Table 1M. Quest College

REPORTED REVENUES FOR 1971-72 TO 1979-80

Year	Tuition & Fees	Appropri-ations	Grants & Contracts	Endowment Income	Gifts	Other Revenue	Total Revenue
72	3,789,492	251,160	0	0	90,780	983,009	5,114,441
73	4,071,260	234,478	0	0	90,612	1,201,312	5,597,662
74	3,647,298	106,741	0	0	41,850	1,218,632	5,014,521
75	3,676,181	0	60,370	0	31,984	1,062,267	4,830,802
76	3,788,167	0	224,790	0	75,380	946,096	5,034,433
77	4,375,685	0	476,899	0	163,131	819,541	5,835,256
78	4,079,902	0	417,761	0	156,679	991,741	5,646,083
79	3,934,155	0	490,151	0	342,274	1,014,966	5,781,546
80	3,751,597	0	209,880	0	223,458	946,772	5,131,707

242

REPORTED EXPENDITURES FOR 1971-72 TO 1979-80

Yr	Instruct & Dept. Res.	Sponsored Research	Public Service	Op.&Maint. Phy.Plant	Institut. Support	Scholar & Fellowshp	Academic Support	Student Services	Student Aid&Grants	Total E&G Expenditure	Total Expenditure
72	1,629,960	0	0	131,949	571,372	NA	NA	NA	595,472	2,703,091	4,682,844
73	2,722,513	0	0	68,650	783,366	NA	NA	NA	792,692	3,947,581	6,272,139
74	1,657,087	0	0	476,187	748,285	NA	NA	NA	581,452	3,591,964	4,832,759
75	2,270,446	0	0	210,831	526,731	513,502	211,003	197,226	NA	4,050,518	4,952,581
76	2,343,449	0	0	181,046	581,023	650,848	127,271	272,292	NA	4,384,828	5,223,283
77	2,492,786	0	0	181,107	608,931	971,023	121,337	120,420	NA	4,679,009	5,508,720
78	2,613,288	0	0	192,274	721,548	947,843	174,260	79,720	NA	4,923,493	5,753,324
79	2,541,349	0	0	191,977	649,898	1,134,568	192,967	75,694	NA	4,989,777	5,836,529
80	1,554,618	0	0	140,849	1,038,110	317,917	524,040	421,459	NA	4,216,296	5,202,973

Table 2M. Quest College

%REVENUES OF TOTAL REVENUE FOR 1971-72 TO 1979-80

Year	%Tuition & Fees	%Appro-priations	%Grants & Contracts	%Endowment Income	%Gifts	%Other Revenue
72	74.1	4.9	0.0	0.0	1.8	19.2
73	72.7	4.2	0.0	0.0	1.6	21.5
74	72.7	2.1	0.0	0.0	.8	24.3
75	76.1	0.0	1.2	0.0	.7	22.0
76	75.2	0.0	4.5	0.0	1.5	18.8
77	75.0	0.0	8.2	0.0	2.8	14.0
78	72.3	0.0	7.4	0.0	2.8	17.6
79	68.0	0.0	8.5	0.0	5.9	17.6
80	73.1	0.0	4.1	0.0	4.4	18.4
*$\bar{x}$	54.0	1.1	5.1	2.5	11.0	26.4

%EXPENDITURES OF TOTAL EXPENDITURES FOR 1971-72 TO 1979-80

Year	%Instruct &Dept.Res.	%Sponsored Research	%Public Service	%Op.&Maint. Phy. Plant	%Institut. Support	%Scholar & Fellowship	%Academic Support	%Student Services	%Student Aid&Grants	%Total E&G Expenditure
72	34.8	0.0	0.0	2.8	12.2	NA	NA	NA	12.7	57.7
73	43.4	0.0	0.0	1.1	12.5	NA	NA	NA	12.6	62.9
74	34.3	0.0	0.0	9.9	15.5	NA	NA	NA	12.0	74.3
75	45.8	0.0	0.0	4.3	10.6	10.4	4.3	4.0	NA	81.8
76	44.9	0.0	0.0	3.5	11.1	12.5	2.4	5.2	NA	83.9
77	45.3	0.0	0.0	3.3	11.1	17.6	2.2	2.2	NA	84.9
78	45.4	0.0	0.0	3.3	12.5	16.5	3.0	1.4	NA	85.6
79	43.5	0.0	0.0	3.3	11.1	19.4	3.3	1.3	NA	85.5
80	29.9	0.0	0.0	2.7	20.0	6.1	10.1	8.1	NA	81.0
*$\bar{x}$	32.0	0.3	0.7	9.3	16.0	9.6	5.3	7.1	10.1	76.3

*$\bar{x}$ is the mean value for these nine years in a set of 40 private liberal arts colleges that, like this one, experienced rapid revenue decline from 1973 to 1976.

Table 3M. Quest College

Four selected student FTE ratios for college
For 1971-72 to 1979-80

	REVENUES	EXPENDITURES			
Year	Tuition & Fees/FTE	Instruction/FTE	Scholarships/FTE	Student Services/FTE	FTE
73	$2,705.16	$1,808.98	NA	NA	1,505
74	$1,928.77	$ 876.30	NA	NA	1,891
75	$1,946.10	$1,201.93	$271.84	$104.41	1,889
76	$2,293.08	$1,418.55	$393.98	$164.83	1,652
77	$2,410.85	$1,373.44	$535.00	$ 66.35	1,815
78	$2,369.28	$1,517.59	$550.43	$ 46.30	1,722
79	$2,533.26	$1,636.41	$730.57	$ 48.74	1,553
80	$2,664.49	$1,104.13	$225.79	$229.33	1,408

Table 4M. Quest College

Revenue Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Tuition Revenue		Gifts Revenue		Endowment Revenue		Total Revenue		Total TOTFTE	
1971-72	$3,789,492		$90,760		$0		$5,114,441			
	100.0		100.0		100.0		100.0			
1972-73	$4,071,260		$90,612		$0		$5,597,662		1,505	
	107.4	7.4%	99.8	-.2%	.0	.0%	109.4	9.4%	100.0	
1973-74	$3,647,298		$41,850		$0		$5,014,521		1,891	
	96.2	-10.4%	46.1	-53.8%	.0	.0%	98.6	-10.4%	125.6	25.6%
1974-75	$3,676,181		$31,984		$0		$4,838,882		1,889	
	97.0	.8%	35.2	-23.6%	.0	.0%	94.5	-3.7%	125.5	-.1%
1975-76	$3,788,167		$75,360		$0		$5,034,433		1,652	
	100.0	3.0%	83.0	135.7%	.0	.0%	98.4	4.2%	109.8	-12.5%
1976-77	$4,375,685		$163,131		$0		$5,835,256		1,815	
	115.5	15.5%	179.7	116.4%	.0	.0%	114.1	15.9%	120.6	9.9%
1977-78	$4,079,902		$156,679		$0		$5,646,083		1,722	
	107.7	-6.8%	172.6	-4.0%	.0	.0%	110.4	-3.2%	114.4	-5.1%
1978-79	$3,934,155		$342,274		$0		$5,781,546		1,553	
	103.8	-3.6%	377.0	118.5%	.0	.0%	113.0	2.4%	103.2	-9.8%
1979-80	$3,751,597		$223,458		$0		$5,131,707		1,408	
	99.0	-4.6%	246.2	-34.7%	.0	.0%	100.3	-11.2%	93.6	-9.3%

Table 5M. Quest College

Expenditure Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Scholarships& Grants Exp		E&G Exp		Total Exp	
1971-72	$0		$2,703,091		$4,682,844	
	100.0		100.0		100.0	
1972-73	$0		$3,947,581		$6,272,139	
	.0	.0%	146.0	46.0%	133.9	33.9%
1973-74	$0		$3,591,964		$4,832,759	
	.0	.0%	132.9	-9.0%	103.2	-22.9%
1974-75	$513,582		$4,050,518		$4,952,581	
	.0	.0%	149.8	12.8%	105.8	2.5%
1975-76	$650,848		$4,384,020		$5,223,283	
	.0	26.7%	162.2	8.3%	111.5	5.5%
1976-77	$971,023		$4,679,809		$5,508,720	
	.0	49.2%	173.1	6.7%	117.6	5.5%
1977-78	$947,843		$4,923,493		$5,753,324	
	.0	-2.4%	182.1	5.2%	122.9	4.4%
1978-79	$1,134,568		$4,909,777		$5,836,529	
	.0	19.7%	184.6	1.3%	124.6	1.4%
1979-80	$317,917		$4,216,296		$5,202,973	
	.0	-72.0%	156.0	-15.5%	111.1	-10.9%

Table 6M. Quest College

Endowment Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Book Value Beg of Yr		Market Value Beg of Yr		Book Value End of Yr		Market Value End of Yr		Yield	
1971-72	100.0	$0	100.0	$0	100.0	$0	100.0	$0	100.0	$0
1972-73	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%
1973-74	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%
1974-75	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%
1975-76	.0	$0 .0%	.0	$0 .0%	.0	$0 0%	.0	$0 .0%	.0	$0 .0%
1976-77	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%
1977-78	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%
1978-79	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%	.0	$0 .0%
1979-80	.0	$0 .0%	.0	$0 .0%	.0	$20,000 .0%	.0	$20,000 .0%	.0	$0 .0%

Table 7M. Quest College

Physical Plant Indebtedness Data 1971-72 to 1979-80
(Value, Index based on 1971-72, %Change)

	Balance Owed Beg of Yr		Additional Borrowed		Payments Made		Balance Owed End of Yr		Interest Payments	
1971-72	$2,320,090		$0		$79,000					
	100.0		100.0		100.0					
1972-73	$2,241,090		$400,000		$144,424					
	96.6	-3.4%	.0	.0%	182.8	82.8%				
1973-74	$2,496,666		$0		$79,199					
	107.6	11.4%	.0	-100.0%	100.3	-45.2%				
1974-75	$2,417,467		$750,000		$53,870		$3,113,597		$71,945	
	104.2	-3.2%	.0	.0%	68.2	-32.0%	100.0		100.0	
1975-76	$3,113,597		$0		$154,114		$2,959,483		$186,414	
	134.2	28.8%	.0	-100.0%	195.1	186.1%	95.1	-4.9%	259.1	159.1%
1976-77	$2,959,483		$0		$85,105		$2,874,378		$92,424	
	127.6	-4.9%	.0	.0%	107.7	-44.8%	92.3	-2.9%	128.5	-50.4%
1977-78	$2,874,378		$9,877		$91,727		$2,792,528		$92,375	
	123.9	-2.9%	.0	.0%	116.1	7.8%	89.7	-2.8%	128.4	-.1%
1978-79	$2,826,089		$238,450		$97,533		$2,967,006		$121,826	
	121.8	-1.7%	.0	2314.2%	123.5	6.3%	95.3	6.2%	169.3	31.9%
1979-80	$2,967,006		$0		$68,293		$2,898,713		$142,747	
	127.9	5.0%	.0	-100.0%	86.4	-30.0%	93.1	-2.3%	198.4	17.2%

HEARTLAND COLLEGE

This case study was not approved for distribution.

ADDENDUM

The case descriptions in this appendix deal with the five regional colleges used as pilot tests for the strategic decisions project. Each case has been reviewed by the college president and authorized for public dissemination.

As a result of this pilot test we:

1. learned that tentative plans for a mail-out survey of a large number of institutions were infeasible;

2. prepared a first draft of a proposed theoretical framework for strategic decisionmaking;

3. prepared some preliminary observations about institutional strategies;

4. revised the plan of inquiry for the remaining cases for FY82; and

5. revised the plan for selecting the remaining cases, limiting them to private four-year liberal arts and comprehensive colleges that had experienced total revenue decline between 1973 and 1976.

Alpha University

Background. Alpha began in the late 1950s as a satellite of the state's flagship university. It soon became independent, with primary emphasis on lower division programs. In the late 1960s it became the second university in a two-institution system. Enrollment has grown steadily over the past decade and is now at about 11,000 or 7000 FTE. The climate is pleasant, and unique features of the urban setting attract a number of out-of-state students. Alpha has only one dormitory now, but hopes to include more residential spaces in its building program. A great deal of construction is currently in progress for academic purposes. Much control of administrative computing resides in the system office. The institutional researcher produces reports manually, which is not seen as a problem by top administrators. Alpha is actively engaged in developing a master plan.

Clientele decisions. Alpha has made no apparent changes in its intended clientele. Current effort to gain support for building new dormitory space is intended to improve the yield of admitted students.

Program mix decisions. Alpha has added a masters program in public administration and a doctoral program in education, but without additional faculty or funds. It has dropped an associate degree in secretarial science, a Russian program, and a masters degree in German. They have long had strong local support for adding architecture, and consensus appears to be that Alpha should be allowed to begin the first law school in the state--but neither idea has been endorsed yet by the legislature. Alpha is building programs in exercise physiology (which has exceptionally strong faculty) and in desert biology (the region is desert). One of the new campus buildings will house business, economics, and hotel management--three key academic areas. In summary, the program strategy seems (a) oriented toward professional training and (b) designed to capitalize on local distinctive features.

Resource mix decisions. Alpha's vacant faculty positions now revert automatically to the academic vice president for possible reallocation. A few years ago, he turned down six recommendations for promotion to full professor, resulting in only one "friendly" grievance. These moves may signal Alpha's intention to achieve balanced faculty loads and to tighten academic standards with regard to faculty qualifications.

Geographic scope decisions. Alpha is a single campus institution and seems to be content with that.

Decision process. The academic decision process seems to involve broad participation, but centralized authority in the academic vice president, in consultation with the Academic Council. The faculty senate is said to play a major role.

Strategy. The strategic focus seems to be on (1) eliminating obstacles to enrollment and (2) capitalizing on program areas that both suit the mission and are distinctive aspects of the school.

Beta College

Background. This public college, located in the largest city of a rural state, evolved from a normal school to incorporate a liberal arts emphasis and, most recently, business and economics. Most of its 4,000 students are in-state, and, because Beta is an open-enrollment, open-admissions college, many of them are ill prepared academically. The faculty is factionalized. One group has many years of service at Beta, a relatively small proportion of them having earned terminal degrees. Another group of more recent arrivals has a higher proportion of terminal degrees and a stronger orientation toward research. In 1974, the faculty unionized. They are now represented by AAUP. At the time of our visit, the parties negotiating a new contract had not reached agreement and sought mediation. When the former president resigned, an acting president was appointed for one year while a search for a new president was undertaken. The acting president calls Beta "a metropolitan college in a micro setting." A major effort initiated at the system level during 1976-79 culminated in a "role and scope" statement for the college, which was, at the time of our visit, the only official planning document. However, a more recent effort at long-range planning is currently underway to meet Title III requirements.

Clientele decisions. There is a strong sense here that access (that is, enrollment) drives the system. Someone commented that quality is not tantamount to selectivity--rather, quality is mission-oriented. However, enrollment-based funding was felt to be detrimental to academic quality. Beta has open admissions. Since the College has no authority to lower admissions standards, some feel that academic standards may suffer in an effort to keep enrollments up. The evidence cited for this included low SAT/ACT scores coupled with high GPAs.

Beta's campus is becoming as busy at night as it is in the day, and further efforts to attract local part-time students are planned.

Program mix decisions. Beta reorganized to pull business and economics together as a separate school, and reallocated faculty positions to them. Business now has about 1169 Fall '81 majors, but growth is hampered in that the state board authorized only the University to offer the MBA, while the growing demand for the program is in Beta's service area. Discussions of cooperative efforts are just beginning. Faculty are now discussing plans to tighten up required courses, revitalize general education, and increase the required credits from 42 to 57. Enrollment trends are away from education and liberal arts, toward business.

Resource mix decisions. Beta, with no capital reserve, has deferred maintenance and abolished football. They have improved the quality of the faculty, although some positions tend to draw very few applicants. Faculty position allocation is directed at balancing faculty load.

Geographic scope decisions. Beta offers some telecommunications courses. It tried and abandoned one summer program at a town in the region, and is considering developing residence centers at two other such towns. Beta's primary emphasis, however, is on-campus education.

Decision process. Traditionally, decisions seem to have been made through a bottom-up filtering process. When two top administrative posts were vacated at the same time recently, the decision process seemed to have been temporarily suspended. At the time of our visit, however, it seemed that even though two of the top three administrative posts were on an acting basis, decisions were being made on an ongoing basis.

Strategy. Administrators have their hands full coping with immediate problems but seem to feel the need for a systematic, ongoing planning process. During the past decade, the institution has made a determined effort to strengthen the quality of its faculty. The development of the business program is clearly in response to local demand.

Gamma College

Background. Gamma is called a public liberal arts college with a land grant history. It was a branch of the State University near a small, remote village, offering the first two years of college beginning in 1927. In 1956 it moved to a larger, but still remote, town; in 1962, it became a four-year college. Its only ties now with the State University are that it has the same board of control and that its two-year forestry students are guaranteed transfer into State University. Similarly, its two-year engineering students are guaranteed transfer to a highly-rated technical college. By legislative mandate and proud heritage, Gamma is tuition-free to any Native American student. About 6% of the students are Native American, about 30% are out-of-state. The average length of service for the current top administrators at Gamma is probably about 15 years.

Clientele decisions. The college is perched on a mesa in a small town and a rural region--its clients are almost entirely residential and commuting undergraduates from the traditional age group. Admissions was reorganized to give it more internal power and external visibility--located in what was the president's home. Gamma has initiated a summer orientation and registration program in an effort to improve the yield of admitted students. Administrators say they have reversed a tendency toward lax interpretation of admissions standards,resulting in more able students recently. The clientele strategy has been to affirm undergraduate education, to affirm the Native American mandate, and to recruit traditional-age students both locally and more widely.

Program mix decisions. During the early 1970s, Gamma declined to start graduate programs, dropped its core curriculum requirement, and increased the number of majors from 7 to 22. It had dropped most of its associate degrees in 1962. They have just shifted a soft-money intercultural center to hard money, and they have begun offering a variety of short summer institutes. Business now has about 1000 majors and, like geology and chemistry, it is growing in enrollment. Someone commented that tight state control over any program additions tends to discourage schools in this state from dropping any programs. Issues discussed in current long-range planning include re-establishment of a core curriculum, general education, basic skills, the role of the library, and continuing education. The strategy seems to have been to diversify, to make the curriculum more flexible, but within existing competencies.

Resource mix decisions. There are four premises for faculty position allocation: (1) the requirements of subject accreditation, (2) anticiptated student demand, (3) the symbolic value of a position, and (4) less importantly, current student demand. An unusually high proportion of the faculty have terminal degrees. Faculty salary increases are based on market price and true merit ("every adjustment is an affirmation"). The president has placed great emphasis on achieving accreditation from subject matter associations, and resources have flowed to meet those needs. Two years ago, Gamma hired a dynamic, traditionalist East Coast academician as its academic vice president. The strategic emphasis seems to be on traditional academic quality.

Geographic scope decisions. Gamma is a traditional single-campus residential college. Clientele choice is constrained by its geographic isolation, and it is not engaged in off-campus entrepreneurship.

Decision process. Much decisionmaking seems to happen "family style," especially in the academic areas. At the instigation of the academic vice president, Gamma is organizing its first faculty senate--he places great value on public academic debate and intellectual controversy. The business orientation of several top administrators is apparent in administrative decisionmaking. Goals and parameters are set at the top, with implementation details left to those in charge of appropriate areas.

Strategy. Gamma emphasizes undergraduate education, with external endorsements of program quality as an important decisionmaking and marketing orientation.

Delta College

Background. Delta is a century-old, church-related urban college, traditionally emphasizing liberal arts and ethical education at the undergraduate level. It was in trouble in the early 1970s--enrollments were down from a peak of 1500 to about 1000, without a concomitant decrease in faculty, and the "church was" considering withdrawing its support. In 1972, the faculty became unionized (AAUP), and a new trouble-shooter president arrived on campus. The next year financial distress was so great that 25% of the staff were let go, including 20 faculty. The president attributed the "miracle" of renaissance at Delta to several factors: a long track record of developing graduates, a low tuition that could be dramatically increased, reserves that could be drawn on, the introduction of budget control, and the fit of his skills with college needs. His commitment to achieving sound financial health did not preclude making significant improvements in faculty compensation, and collective bargaining has always been a very helpful relationship. He has also concentrated on developing a consensual sense of purpose, protecting the academic core, and anticipatory innovation. Now, in addition to about 1070 students in the traditional undergraduate program, Delta enrolls some 3600 in its new, organizationally separate, adult degree completion program.

Clientele decisions. In 1979, admissions was reorganized to fall under a new director of marketing, who is at the Dean level. Recruiting has been focused sharply on key markets in the past two years, and admissions standards have been more stringently enforced. Delta has established an adult degree completion program (as contrasted with an adult "leisure studies" program), with very flexible scheduling to accommodate part-time students. The program has a center in a city about 50 miles away and offers courses in a variety of locations within about a 50 mile radius of Delta's campus. The program also offers credit for life experiences, subject to faculty review. Clientele now includes both a major adult component and more emphasis on recruiting traditional students from the local area.

Program mix decisions. The major change in program is the adult college; Delta has also added computer science, built business value programs, and incorporated the medical records program from another private college in the city. It is considering adding undergraduate and masters programs in Christian education and community development.

Resource mix decisions. During the 1970s, the faculty shifted from 30% with terminal degrees to 80%. The unitary salary schedule from collective bargaining is made somewhat flexible with a separate open system for faculty in the MBA program. To improve financial health, the president initiated a sophisticated budget system and built an extensive external support system--new and influential board of trustees, development program that emphasizes donor involvement with the life of the institution, and cooperative relationships with businesses and others to educate their personnel. The administrative structure is fluid, with both positions and personnel changing to accommodate the president's strategy for the college--this with little apparent evidence of discontinuity or loss of morale.

Geographic scope decisions. Traditional undergraduate education takes place on the main campus, while adult programs are offered throughout a 50-mile radius from the institution. The market for the former is national, for the latter it is regional.

Decision process. During the crisis of the early 1970s, the president was admittedly autocratic, with the faculty willing to wait and see if the results were satisfactory. Decisionmaking still seems largely centralized in the president's cabinet, acting as a group. The process is characterized as informal, full of friendly arguments, aimed at a goal of consensus. The institutional research function is decentralized, with each administrator actively engaged in on-going research that is oriented toward (a) identifying any current anomalies and (b) sensing and anticipating the future possibilities. Some structural ambiguity may exist for the faculty, who have two potential action channels--the union and the traditional departmental structure. The pervasive attitude is entrepreneurial--"make it happen." The clarity of role and mission, achieved with heavy and continuous investment in the effort, may tend to reduce conflict.

Strategy. The traditional mission of residential undergraduate education was affirmed, re-established, and protected. In addition, the new adult degree completion program furthered the mission of the college, built awareness of its existence, and created alumni. Financial health involved both internal controls and aggressive creation of a diverse network of private benefaction.

Epsilon State College

Background. Epsilon is a public college located in a city of 100,000 near a metropolis, in a growing region. Two of the three public universities are located within 40 miles, and Epsilon is sometimes seen as Cinderella, or as "the best of the rest." The campus visitor is struck by Epsilon's immaculate, well-landscaped grounds and its beautifully maintained buildings, many of which are reasonably new.

Epsilon is a career-oriented college, founded in 1889 as a two-year vocational college and expanded in 1964 to encompass baccalaureate study. Current enrollment is 10,000 FTE, 81% of whom reside in the local four-county region. It has very few minority students, most of whom do not stay through graduation, but it also has a sizable enrollment of international students. While many other colleges are beginning to feel that enrolling more students would solve all their problems, Epsilon's experience does not reinforce that conclusion. Demand is high, but state funds are not allocated by an enrollment formula, and the mood of the legislature is to limit participation in higher education. Epsilon has had a freeze or budget cut in five of the past six years, and it is seeking ways to limit enrollments within its open admissions policy. State analysts project a $1.5 billion deficit for education (elementary, secondary, and higher) by 1985, if present trends continue. State investment in education is high on a per capita basis, but low on a per student basis, because participation rates are so high.

Most of the top staff members have been at Epsilon for less than four years, due to a bulge in the retirement pipeline. The presidency was held by one man for many years until his retirement in 1972, then by a controversial figure for six years, and since 1978 by a man whose prior experience consisted of top positions in industry and government. He views his presidency as an opportunity for public service. The most distinctive feature of Epsilon's mission is its integration of vocational and liberal arts education.

Clientele decisions. Epsilon's clientele has always consisted primarily of traditional undergraduate students, and there is no evidence that these clients have ever been hard to come by. It does have a number of adult students and some outreach programs (see geographic scope, below). With its open admissions policy, the goal of the new president is to become the finest teaching college in the country in the sense of the value added to the student by Epsilon's educational experience. To control enrollments, Epsilon is beginning to build in several mechanisms, among them tightening the requirement that applicants submit ACT scores, refusing late applicants, separating college admission from admission to certain high-demand programs, and enforcing academic standards regulations.

Program mix decisions. Finding itself with both vocational and liberal arts programs due to its history, Epsilon's major program decision has been to affirm both kinds of programs and to cross-fertilize them--thereby creating, for example, a commercial art component in the art department, chemical technology in chemistry, and traditional natural science courses in allied health. Epsilon is planning for applied liberal arts programs and collegiate vocational programs. It also has a Bachelor of General Studies degree for which a student combines a few three minors in lieu of a major. Because the state rations degree programs to institutions, some of Epsilon's programs are affiliated in name with one of the universities--programs such as baccalaureate-level nursing and the masters degree in education. Since about 1970, Epsilon has shown evidence of interest in learning theory and in competency-based education as underpinnings of all of the programs.

Resource mix decisions. A strong current interest in increasing teaching efficiency has led toward an emphasis on teaching technology. For example, an interdisciplinary team of five faculty members will soon share an office area and work towards means of integrating computers into the curriculum. Epsilon is also using two other approaches to help keep costs in line. Many of its vocational and technical faculty members receive attractive employment offers from industry; to remain competitive, Epsilon encourages faculty to consult and to spend their summers in industry--bringing the added benefit of faculty members who understand industry trends and practices. With the rising cost of staying current in technical equipment, Epsilon has also arranged to exchange faculty expertise as trainers in industry for the use of business-owned equipment.

The trend among faculty has been toward increasing proportions of full time faculty and faculty with terminal degrees, although the doctorate is not considered the appropriate terminal degree for some technical programs. With its emphasis on instruction, Epsilon has initiated a program to allow faculty members to withdraw from the tenure track without jeopardizing their continued employment, in recognition that strongly teaching-oriented faculty may not be producing research and publications toward tenure. Last year Epsilon hired 19 faculty members for new positions, mostly in areas where demand had outstripped capacity. One such position was used to assist a department in gaining subject area accreditation, and a few were allocated to the performing arts both for symbolic purposes and for community relations.

The administrative reorganization has reduced the number of senior administrators and streamlined administration to the point that participants wonder whether sufficient staff remain.

The midyear budget cuts handed out by the legislature in many recent years have been handled primarily by attrition, with subsequent readjustment if the lost position proved necessary. Unlike most public institutions, Epsilon is authorized to manage its own cash, to keep its earned interest--and its budget is not subject to line item allocation by the legislature. The new academic vice president is developing a comprehensive budget cycle to integrate academic and capital planning as part of resource allocation. Financial management is being decentralized and deregulated internally, to allow more autonomy at the school level.

Geographic scope decisions. Epsilon has a branch at the local Air Force base, and it offers extended campus courses throughout the state. Its extended courses are determined by its state-mandated mission and local demand for courses within that mission. These programs are treated as auxiliary enterprises, without state acknowledgement of their enrollments.

Decision process. From 1972 to 1975, Epsilon had, in effect, two academic vice presidents--one for academic quality, the other for academic operations. The effects of this unusual arrangement were not explored. Before 1972, the faculty senate was chaired and run by the academic vice president, but it has since been run by the faculty. The current administration (1978-present) is said to depend heavily on weekly meetings of the President's Staff for discussion and decision--usually by consensus, and sometimes with iterations of an issue between President's Staff and the faculty senate. The current president developed a set of seven goals for the college and has been taking them to various groups ever since to mobilize support and action. He is in close and frequent contact with student leaders. The style is courtly, self-controlled, friendly but formal.

Strategy. Epsilon is seeking to improve, not survive. In that context, its strong student welfare orientation is somewhat unusual. Its key issues involve the tension between quality and equality. Resolution seems to be focusing on affirming its open admissions/community service orientation while (a) increasing selectivity, especially in certain programs and (b) emphasizing the improvement of teaching quality and efficiency, toward a goal of greater value added to its students.

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